

FINANCIAL TIMES

Europe's Business Newspaper TUESDAY NOVEMBER 29 1994 D8523A

Iberia crisis talks as dispute halts Spanish flights

Airline management and unions were locked in crisis talks last night to stop Iberia, Spain's national carrier, from sliding into bankruptcy. Strikes in all domestic airports brought air traffic in Spain to a virtual halt, stranding tens of thousands of passengers. The airport chaos highlighted a bitter confrontation over management plans to slash the airline's costs. The dispute threatens to disrupt Spain's ruling socialist government and to strain the country's relations with the European Commission. Page 20; Lex, Page 20

UK Tories face down rebels: Kenneth Clarke, chancellor of the exchequer, delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by its own backbench MPs over the Brussels budget. Page 10; Joe Rogaly, Page 18

Bayer, German chemicals multinational, is to re-focus its pharmaceutical research away from more crowded market sectors and towards treatments for allergies, rheumatic ailments and Alzheimer's disease. Page 21; Lex, Page 20

EU to lift Syrian arms embargo: The European Union is to lift its eight-year embargo on sales of arms to Syria. The decision was immediately condemned by Israel's foreign minister Shimon Peres. Page 20

China saves face on GATT deadline: China said it would offer no new concessions in negotiations to rejoin the General Agreement on Tariffs and Trade if talks were not concluded by the end of the year, but indicated it would continue to negotiate after the deadline. Page 8

Close Uruguayan poll to slow reform: Julio Maria Sanguinetti (left) was declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalition in the country's closest ever election. The virtual three-way tie, mirrored in parallel congressional elections, will force Mr Sanguinetti to forge a coalition, which is likely to slow Uruguay's cautious reform process. Page 4

Renault, the French state-owned motor group floated on the stock market earlier this month, should be privatised in the second half of next year, said French industry minister Josu Ross. Page 21

Chechnya threat to Russian lives: The Chechnya Russian republic of Chechnya threatened to execute 70 Russian fighters it claimed to have captured unless Moscow admitted it was directly involved in trying to destabilise President Dzhokhar Dudayev's regime. Page 2

Kohl sets pace: Germany's Chancellor Helmut Kohl, easily re-elected as leader of the governing Christian Democrats, warned his party of the need to liberalise the economy and open itself up to the younger, and female, generation. Page 2

Japan Airlines said its earnings would be unaffected by estimated losses on 1995 forward currency buying contracts of ¥176.5bn (\$1.7bn) by the end of this accounting year. Page 21

Republicans jockey for 1996: The developing rivalry between two potential Republican presidential candidates, Senators Robert Dole and Phil Gramm, could get an early airing this week as the party begins to choose senior congressional leadership positions. Page 4

Mass murderer killed: American mass murderer Jeffrey Dahmer was killed in an attack in a Wisconsin prison where he was serving 15 life sentences for murdering 17 young men and boys. Taiwan concerned at pace of growth: Taiwan's economy showed signs of overheating in October for the second consecutive month, the country's planning ministry warned. Page 7

Ethiopia's Muslims protest: About 100,000 Muslim Ethiopians demonstrated in Addis Ababa against their treatment in the secular state. About 45 per cent of Ethiopians are Muslims but Coptic Christians hold sway over most of the country.

Chagall suspects held: Two well-known figures in the Paris art world have been held on suspicion of theft and receiving stolen paintings by Marc Chagall. Police said at least 40 paintings were taken from Chagall's studio after he died in 1985 and sold for about FF50m (\$10m).

STOCK MARKET INDICES
FT-SE 100: 3,947.1 (+13.8)
Yield: 4.22% (+0.25)
FT-SE Eurotrack 100: 1,335.02 (+6.25)
FT-SE-A All-Share: 1,514.58 (+0.4%)
Nikkei: 10,871.38 (+144.43)
New York: Dow Jones Ind: 3,729.81 (+21.33)
S&P Composite: 452.98 (+0.67)

US LUNCHTIME RATES
Federal Funds: 5.25%
3-mo Treasury Bill: 5.50%
Long Bond: 9.4%
Yield: 7.97%

LONDON MONEY
3-mo Interbank: 5.1%
Libor 3m: 5.0%
Libor 6m: 5.0%
Libor 12m: 5.0%

NORTH SEA OIL (Argus)
Brent 15-day (Jan): \$17.08 (17.17)
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Gold
New York Comex (Dec): \$382.9 (384.7)
London: \$384.0 (384.95)
Tokyo close: ¥98.93

STERLING
New York: 1.583
London: 1.583
Frankfurt: 1.583
Paris: 1.583

DOLLAR
New York: 1.583
London: 1.583
Frankfurt: 1.583
Paris: 1.583

YEN
New York: 1.583
London: 1.583
Frankfurt: 1.583
Paris: 1.583

EURO
New York: 1.583
London: 1.583
Frankfurt: 1.583
Paris: 1.583

West unites to call for settlement in former Yugoslavia

By Laura Silber in Belgrade, Emma Tucker in Brussels and David Buchanan in Paris

The US, its European allies and Russia, struggling to avert a bitter international row over Bosnia, joined forces yesterday to press for a ceasefire in the enclave of Bihać and a broader settlement in former Yugoslavia.

Mediators from the five-nation contact group - comprising the US, Russia, Britain, France and Germany - held secret talks with Serbian President Slobodan Milosevic at a villa in a remote area north of Belgrade.

In a day of hectic diplomatic activity in former Yugoslavia, Washington and Brussels, the contact group also called for an immediate truce in both Bihać and Bosnia as a whole.

Mr William Perry, the US defence secretary, said Washington would "seriously consider" any request for troops to help oversee the withdrawal of UN peacekeepers from Bosnia. But he hoped that no pull-out would be necessary, as the peacekeepers were playing an important role.

His comments were welcomed in Europe as a sign that the US administration, unlike Congress, remained sympathetic to its allies' concerns.

In Bihać, blood-letting dragged on as two mortar rounds exploded within the nationally UN-protected safe area and one man, apparently a civilian, was killed. Diplomatic recriminations over Bosnia also continued, with European Union foreign minis-

ters angrily rejecting an attack by Mr Robert Dole, leader-elect of the US Senate's Republican majority, on the stance of Britain and France.

Mr Douglas Hurd, the UK foreign secretary, said Mr Dole's comments - calling for an immediate UN withdrawal and arms deliveries to Bosnia - reflected a mistaken view about what outside forces could do to end the fighting. Mr Dole said he hoped to narrow his differences with

the UK over Bosnian policy in a trip to Europe starting today. "Nato's inability to respond to a war of aggression on southeastern Europe raises serious questions about Nato's future plans to expand to central and eastern Europe," Mr Dole said before he left.

In a clear reference to US calls for tougher air action, Mr Hurd said peace in the Bihać area "will not be achieved by fostering illusions about what Nato air power can achieve".

The UN was continuing yesterday to work for a ceasefire accord between Bosnia's Muslim-led government - which favours a three-month truce - and the

most important considerations will be the ever-evolving relationship between the Hollywood studios and the broadcast community. When David, Steven and I formed our company, one of our initial goals was to build a strategic alliance with a broadcast power."

An ABC executive said the initial \$200m investment was merely a start-up figure. "If it is working well and needs more, we'll be willing to invest more," she said. While ABC had invested in its own production facilities and in other joint projects, this would be its largest production venture.

The partners said the new venture would produce programmes for TV networks and cable TV, and would also syndicate its material. Under government regulation, the US networks are barred from domestic syndication until November 1995, although they are permitted to syndicate abroad. ABC said programmes from the venture are not expected to be on air before 1996.

The studio will be managed as a separate entity, with day-to-day operations controlled by a senior executive yet to be appointed.

The venture illustrates a growing trend in the US whereby the explosion in communications media has created a large appetite for entertainment material. Many in the industry believe most profit in the next few years will go to the providers of content, rather than the owners of the distribution channels.

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Large postal vote may favour the Yes side



Polls see close finish in Norway EU vote

By Hugh Carnegie and Karen Fossli in Oslo

Two election-day opinion polls last night predicted a neck-and-neck outcome in Norway's vote on membership of the European Union in yesterday's referendum.

One poll on the state NRK television network forecast a 52.6 per cent majority for the No side, while the commercial station TV2 predicted a Yes victory with a majority of 50.1 per cent. Indicating that the race was neck-and-neck, after 35 of 626 municipalities had been counted the Yes side led by 52 to 48 per cent.

Both sides said the surveys were not conclusive pointers. A crucial factor is likely to be the 13 per cent of total votes cast as postal ballots in advance and not reflected in the opinion polls. This vote was particularly large in cities where the Yes side is counting on a big majority.

Officials said turnout yesterday had been high among the 3.6m voters. They said it could reach 85 per cent.

Norway is the last of four countries from the European Free Trade Association to hold a referendum on whether to join the EU, which currently has 12 members, next year. Austria, Finland and Sweden have voted to join.

After Sweden approved membership earlier this month, the Yes side in Norway began making gains as the Labour government, led by Mrs Gro Harlem Brundtland, the prime minister, urged Norwegians not to leave the country isolated.

Mrs Brundtland has made as her central political goal the reversal of Norway's rejection of membership of the European Economic Community in 1972.

Despite the traditional reluctance of Norwegians to embrace Brussels - many fear it will erode the country's independence and control of petroleum and other natural resources - Mrs Brundtland has sought to

Five-nation contact group in talks with Serbian president

By Laura Silber in Belgrade, Emma Tucker in Brussels and David Buchanan in Paris

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Continued on Page 20

ABC owner joins Spielberg in TV venture

By Tony Jackson in New York

Capital Cities/ABC, owner of the US television network ABC, is to join forces with the newly formed Hollywood trio of Spielberg, Katzenberg and Giffen to create a TV studio.

The joint venture, in which the two sides will initially invest \$100m apiece, aims to produce and syndicate a broad range of TV programmes.

The venture puts ABC in the vanguard of a general move by the US TV networks into producing their own material, from which they were largely barred by government regulation until last year.

It is also expected to increase the level of competition with the Hollywood studios, some of which plan to set up their own TV networks in retaliation.

The partnership between the film maker Steven Spielberg, former Disney production chief Jeffrey Katzenberg and the recording impresario David Giffen was set up in October to produce films, music, cartoons and interactive entertainment as well as TV programmes.

The trio's original intention to strike a deal with the Hollywood studio MCA has been thwarted by uncertainties over the relationship between MCA and its parent, Matsushita of Japan.

Mr Katzenberg, whose recent resignation from Walt Disney was seen as a blow to the company, said: "As the entertainment industry looks to the future, it is clear that one of the

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THE WORLD'S OLDEST WATCH MANUFACTURER

NEWS: EUROPE

EU priority transport projects lack cash

By Emma Tucker in Brussels

Only five of the European Union's priority transport public works have the necessary financing in place, and budgets for the other nine are far from complete, Mr Henning Christophersen, the commissioner responsible for economic affairs, revealed yesterday.

Presenting a report on the EU's cross-border road and rail projects - part of the trans-European networks project - Mr Christophersen said

only three transport schemes out of a list of 14 were completely ready, and a further two were almost there. Mr Christophersen was urging foreign ministers meeting in Brussels yesterday to accept or reject plans for the 14 priority projects - valued at a total Ecu51bn (\$71bn) - at the forthcoming summit for heads of state in Essen, Germany.

The report, drawn up by experts from across the Union, also proposed the adoption of 10 international energy network projects plus pan-

European air traffic control measures. Its recommendations amount to an updating of last December's white paper on jobs, growth and competitiveness which is to be tackled by the heads of state at Essen.

The disarray in the finances of most of the transport projects represent a setback for the desire of Mr Jacques Delors, Commission president, to boost European competitiveness. He had urged the use of so-called "Euro-bonds" to fund gaps in financing, but this has been

resisted by some member states, notably Britain. The UK argues that four key sources of finance - national exchequers, private finance, loans from the European Investment Bank and designated EU funds - should be sufficient to support the projects and that no additional funding instruments are necessary.

Yesterday, Mr Christophersen said no doors should be closed when it came to financing. The report included a recommendation that "measures will be taken, if proven

necessary, in order that priority projects do not run into financial or other obstacles which would jeopardise their implementation".

However, the British contributor to the report distanced himself from suggestions that the Union could agree in the future to "new" forms of financial support.

The three projects for which financing is complete are: development of Malpensa airport at Milan; the Cork-Dublin-Belfast-Stranraer rail link; and a fixed road and rail link

between Denmark and Sweden. Finance is almost in place for development of Greek motorways and a motorway between Lisbon, the Portuguese capital, and the Spanish city of Valladolid.

The report stressed that the biggest obstacles to trans-European networks were administrative. It said governments had to work to change regulations that differ from country to country and to ensure co-ordination to avoid basic problems like different electrical systems.

Union tries to agree line on enlargement

By David Gardner in Brussels

The European Union was struggling yesterday to paper over its differences regarding enlargement to embrace eastern Europe, and to assemble a package which EU leaders can endorse at their Essen summit on December 9-10.

Still to be agreed are the amount of EU funding needed to assist integration of the former communist states, the extent of EU reform in areas like agriculture before they join around the turn of the century, and the degree of trade access to the Union's single market they will be given in the interim.

The hub of the strategy, designed for Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania, remains intact, however. This is to draw up a white paper detailing the changes the newcomers need to make to their legislative, regulatory and standards regimes to bring them into line with the EU.

"If this is not the actual Rubicon, then it's very close to it," one senior European Commission official said. "If the east Europeans sign up to the single market, then the only arguments you've got against integrating them are essentially internal, not very respectable ones."

But such arguments, over money, agriculture, and trade access, were on display yesterday when EU foreign ministers met to prepare the summit.

Brussels wants to commit Ecu7bn (\$5.5bn) in aid under its Phare programme for eastern Europe in 1995-99. Southern and Mediterranean member states, however, want parallel commitments on the Commission's recently unveiled Ecu5.5bn aid plan for the Middle East and North Africa, before they sign up to

the eastern strategy. Work is far less advanced on the Mediterranean strategy, however, and the German presidency of the EU yesterday secured a compromise which will get it past the summit.

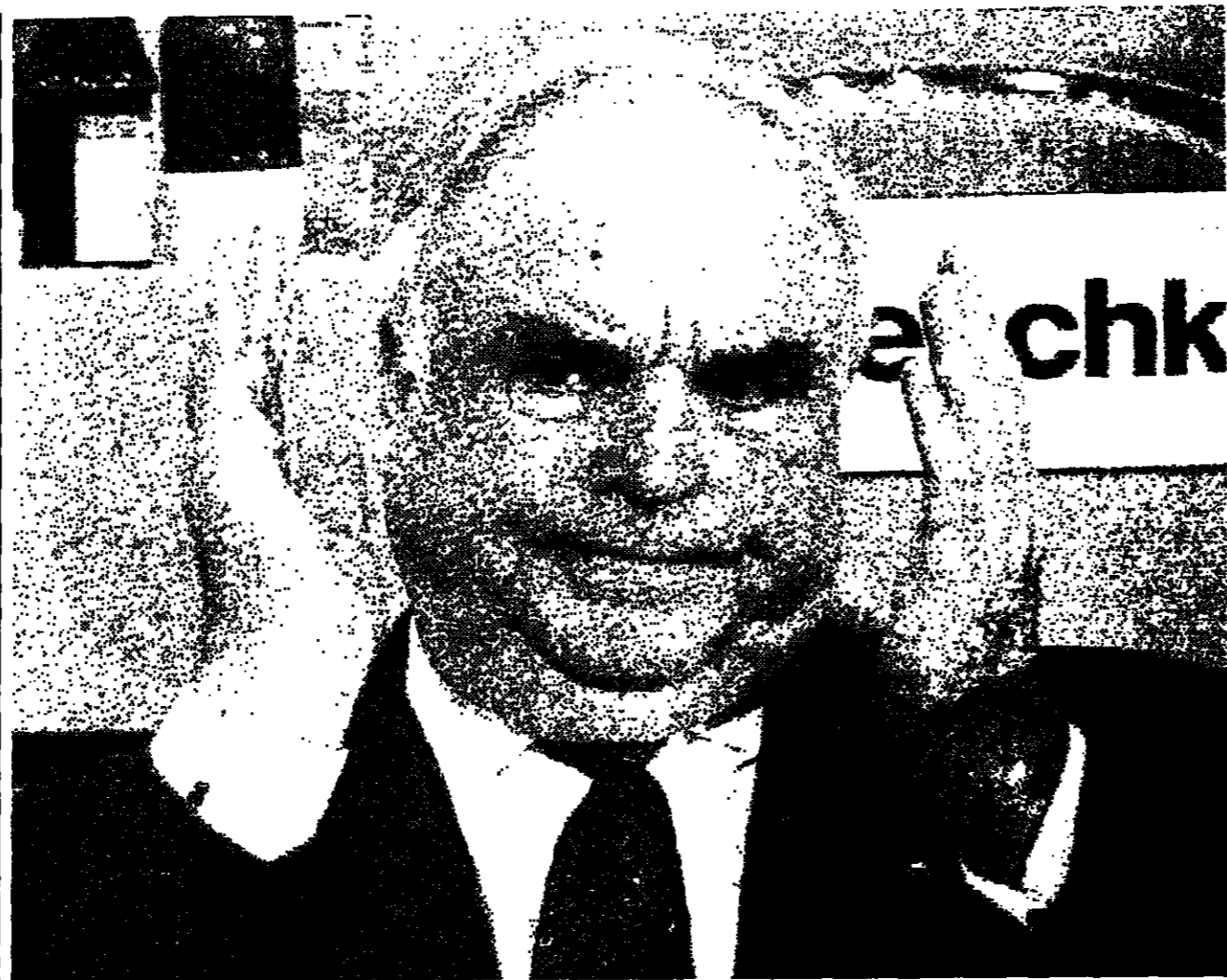
Aid already pledged aid for next year (Ecu1.16bn for east and central Europe and Ecu492m for the Mediterranean) will be minimum benchmarks for succeeding years, with the amounts by which they are to increase to be decided later.

Under the Commission plan, the 1996 figures, for example, would be Ecu1.23bn for the east, and a sharper increase to Ecu710m for the Mediterranean. However, up to a quarter of this will be available for big infrastructure schemes in the east, including up to eight road, rail and gas pipeline projects to be examined at Essen.

On agriculture, the UK - strongly opposed by France - demanded a full debate on reform of the common agricultural policy, the cost of which would rocket if it were extended without changes to the east. "That is a discussion we cannot avoid," said Mr Douglas Hurd, UK foreign secretary.

But Essen now looks certain merely to call for a Commission study on the impact of eastern enlargement on the CAP and other expensive EU policies such as aid to backward regions.

Tomorrow, Brussels will try to resolve the trade access question, but only through what one official called "fairly modest" improvements in rules of origin for incoming eastern goods. These would probably allow an "accumulation" of rules of origin, with a product containing added value of at least 40 per cent from any three of the six states counting as an EU good and entering tariff-free.



Mr Helmut Kohl: call to open up the party to more women and to younger generation

Kohl cracks whip over CDU

Judy Dempsey reports on Chancellor's warning to his party congress

Chancellor Helmut Kohl of Germany, who was easily re-elected as party leader yesterday, threw down the gauntlet to his governing Christian Democrats by warning them to liberalise the economy and open up the party to the younger (and female) generation.

If not, Mr Kohl warned, the coalition government, fresh from winning a fourth term in office but with a majority of just 10 seats in the lower house, would not be ready to

face the electorate in four years' time.

In a speech to the CDU's first party congress since it narrowly won last month's federal election, Mr Kohl highlighted the splits within the party, particularly on how far it should go in co-operating with the opposition, as well as modernising its recruitment and promotion structures.

CDU officials yesterday openly admitted that the combined opposition of Social Democrats, Greens/Bündnis 90 and the reformed east German communist Party of Democratic Socialism could no longer be ignored by the government.

The opposition holds 331 seats in the Bundestag, ten less than the governing coalition of the CDU, the Bavarian-based Christian Social Union, and the Free Democrats. The FDP's seat tally was reduced by 32 to 47.

As a measure of the potential threat posed by the opposition, both Mr Kohl and Mr Wolfgang Schäuble, parliamentary leader

of the CDU/CSU, yesterday refrained from criticising it, thus endorsing a strategy the latter hopes will keep the opposition divided.

Last week, Mr Schäuble said the Greens/Bündnis 90 could join the parliamentary committees which sit in secret on security issues from which they have traditionally been excluded. Earlier, the CDU voted for Mr Anja Volzmer, a Green deputy, as one of the four deputy speakers of parliament.

The need to prevent any opposition alliance from emerging, and to break the growing influence of the PDS in east Germany is now seen as one of the main strategies of the CDU, senior officials said yesterday.

On Sunday, the CDU party in the eastern state of Thuringia, which set up a grand coalition with the SPD at the weekend, said the Christian Democrats should open the party up to former east German communist party members.

But there is no stomach in

the party to endorse this call officially. Mr Peter Hintze, general secretary and a staunch critic of the PDS, yesterday said he opposed was completely any co-operation with "the radicals", signalling dissent about how the CDU can increase support in the eastern states without compromising its pre-election rhetoric which labelled the PDS as a black party painted red.

The CDU is even divided over how it should be modernised. The more conservative rank-and-file would prefer, for example, no special quota for women, a system introduced by the Social Democrats and the Greens more than a decade ago.

However, as more younger women in their twenties drift to the Greens, Mr Kohl said it was time to open the doors. The CDU parliamentary group has only 13.9 per cent women, the lowest percentage of any party. The overall average of the new Bundestag is 23.3 per cent.

But there is no stomach in

Aid plan to back Irish peace

By David Gardner

European Union leaders are expected to agree substantial new aid to bolster the Northern Irish peace plan at their summit in Essen on December 9-10, senior EU officials said yesterday.

The "peace grants", targeted mainly on creating jobs and improving infrastructure, could total Ecu350m (\$490m) in new money between 1995 and 1999.

Mr Jacques Delors, European Commission president, briefed foreign ministers meeting in Brussels on the shape of the peace package, put together for the whole of Northern Ireland and the six bordering counties of the Irish Republic.

The Commission is expected to agree a final proposal for Essen on December 7, and has been consulting widely at grassroots level in the pro-British Unionist and Irish nationalist communities in the province. Senior officials in London and Dublin say both governments endorse the initiative. "It's virtually gift-wrapped for Essen," one Irish official said.

Brussels is suggesting an initial commitment of Ecu300m from the EU budget for 1995-97, with an extension of the same rate of new funding - Ecu100m a year - for a further two years if the scheme is working. About 80 per cent of this would go to Northern Ireland and the rest to the bordering counties.

The UK and Ireland would contribute additional new money, worth 25 per cent of the new EU funds spent within their territory, for a total potential package of Ecu625m.

Britain, which has clashed with the Commission in the past about the normal legal requirement to "match" EU aid with "additional", or genuinely new money, says there will be no repackaging of already committed funding for the province.

Mr John Major, British prime minister, gave a public commitment in Belfast late last month that the UK would put in new funding to match extra EU grants.

The EU has already committed Ecu1.23bn to Northern Ireland in 1994-99, under the structural funds aid programme, as well as Ecu20m a year to the multinational International Fund for Ireland.

Van Miert rejects French EU power plan

By Michael Smith

French proposals to alter significantly the European Commission's proposed directive on liberalising the electricity market in the European Union were yesterday described as unacceptable by Mr Karel Van Miert, competition commissioner.

Mr Van Miert said the French proposals would be contrary to existing community rules, partly because they would allow power companies in some countries to preserve a monopoly on imports and exports.

He was speaking ahead of a meeting in Brussels today of the council of EU energy ministers which will consider the French "single buyer" proposals along with the Commission's plan to promote so-called third party access.

Third party access would make it possible for power companies to sell electricity directly to industrial power users in another country by giving them access to that country's transmission system. Under the single buyer proposals such deals would have to be conducted through a transmission system operator in the buyer's country. The operator would be responsible for running the system and meeting new demand for electricity.

Critics of the single buyer system, including the UK, say the single buyer concept would have little practical impact on increasing competition.

Energy ministers will today consider several options, the most likely of which is an inconclusive outcome in which they will order an investigation into whether the single buyer and third party access proposals are compatible.

Ministers will focus on proposals for the electricity market. Gas is being given less priority.

Mr Van Miert, speaking at a Royal Institute of International Affairs conference in London, said the Commission had a solid commitment to create international energy markets.

He said the third party access and other proposals in the directive, first drafted two years ago, went no further than expiring existing rights in Union treaties.

He indicated that the Commission would press harder for the liberalisation of the markets through the courts if no progress was made politically.

Since the Commission launched its drive to liberalise the energy markets five years ago, it has made only limited progress, with two previous directives having a relatively peripheral effect.

In discussions over the current directive, most member states have agreed on introducing competition in generation and on the need to "unbundle" the accounts of integrated power companies by separating out production, transmission and distribution costs.

However, free market countries argue that the electricity market will only begin to become competitive if third party access is agreed.

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Breakaway republic warns that captured fighters face execution

Chechnya threat to Russian lives

By John Thornhill in Moscow

The breakaway Russian republic of Chechnya has threatened to execute the 70 Russian fighters it claimed to have captured in recent skirmishes unless Moscow admits it is directly involved in trying to destabilise President Dzhokhar Dudayev's regime.

The threat will further inflame tensions with Moscow, some western diplomats suggest it could provoke the open hostilities with Russia about which the Chechen authorities have been complaining. President Boris Yeltsin yesterday held an extraordinary meeting of his security council to discuss Chechnya, which declared

its independence from Moscow three years ago.

Mr Pavel Grachev, defence minister, denied the Russian army had directly supported the Chechen opposition forces, which launched an assault against Grozny, the republic's capital, on Friday. However, he added that if Russia did intervene "one airborne regiment would be enough to resolve all questions in two hours".

So far, Russia has refrained from direct intervention fearing such a move would furnish its image abroad and threaten to unleash a Chechen terrorist campaign within Russia. But the government has repeatedly urged Chechnya to come back into the fold, and has recog-

nised the provisional council of opposition forces as the republic's rightful government, providing it with moral and financial support.

Chechen officials said 300 opposition troops had been killed and 200 taken prisoner in the latest fighting in Grozny. They said 70 prisoners were serving Russian servicemen. "If Russia does not recognise these soldiers as prisoners of war they will be tried by the laws of the sharia (Islamic rule). I will not lift a finger to stop this process," Mr Dudayev said, indicating they could then be executed.

Russian officials have denied serving soldiers were involved although they have conceded it

was possible that former servicemen had been hired as mercenaries by the opposition forces. Mr Grachev said that, according to his information, mercenaries from the Baltic states, Afghanistan and Russia had been hired by Mr Dudayev.

Mr Ruslan Khasbulatov, the Chechen opposition leader, warned Grozny's population that they might soon be bombed and urged them to evacuate all children although the capital was reported to be quiet yesterday. Mr Khasbulatov, the former speaker of the Russian parliament and one of the leaders of the failed uprising against Mr Yeltsin in October 1993, is now being backed by Moscow.

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The French courts will soon decide the fate of the populist tycoon-politician, writes **John Ridding**

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NEWS: THE AMERICAS

Sanguinetti wins close Uruguay election

Ex-president's opposition Colorado party edges ahead in country's tightest poll, writes David Pilling

Mr Julio Maria Sanguinetti was yesterday declared president-elect of Uruguay, as his Colorado party edged ahead of the governing Blanco party and the left-wing Encuentro Progresista coalition in the country's closest ever election.

President Luis Alberto Lacalle called Mr Sanguinetti yesterday to congratulate him and invited him to meet to discuss the March 1 transition, the government said.

With more than half of the nearly 2m votes counted, Mr Sanguinetti's Colorado party was only 19,000 votes ahead of the Blancos and 30,000 ahead of Encuentro. The Blancos had 32.5 per cent of the vote, against 31.5 per cent for the Blancos and 30.3 per cent for Encuentro.

Mr Sanguinetti himself - one of four Colorado presidential hopefuls in a system that combines primaries with national elections - was on 24.4 per cent, 9 points ahead of his nearest rival from the governing Blanco party.

Mr Tabaré Vázquez, on about 30 per cent, was likely to end up with the most individual votes but will not become president because his Encuentro coalition failed to win at party level.

The virtual three-way tie, mirrored in parallel congressional elections, will force Mr Sanguinetti to forge a coalition. The need for cross-party accords is likely to slow Uruguay's cautious reform process still further.

Mr Sanguinetti, president from 1984

to 1989, said yesterday he recognised that the narrowness of his victory would complicate his ability to govern.

"This has been the most hotly disputed election in our history... our political system obliges us to make great efforts to achieve governability and to enable our democracy - as well as guaranteeing freedom - to be effective and functional," Mr Sanguinetti said.

The election, in which Blanco candidates mustered less than a third of the votes, is likely to be seen as a rejection of the current Blanco administration's curtailed reform attempts.

President Lacalle tried to change the country from an inward-looking welfare state to a more liberal economy competing in the international arena. But his attempts to privatise state corporations, to pull down tariff barriers and to cut social security costs have aroused public suspicion, notwithstanding partial success in bringing down inflation and producing healthy economic growth.

The very strong showing for Encuentro Progresista, a coalition ranging from social democrats to former Tupamaro guerrillas, is evidence that many Uruguayans place defence of generous social welfare provisions ahead of any desire to adopt the neo-liberal policies sweeping across much of Latin America.

Encuentro, which in the early stages of vote-counting seemed close to victory, won easily in Montevideo, the capital, but could not reproduce



Poll position: Sanguinetti and his wife as the results began to come in

that result in the more conservative interior.

Mr Sanguinetti, who campaigned on a social-democratic platform, will take the reins of a very different Uruguay

from the one he led in 1984. Uruguay was then emerging from 11 years of military dictatorship and Mr Sanguinetti, now at 58 already considered a grand old man of Uruguayan politics,

saw his main task as re-establishing the country's deep democratic roots.

One of Mr Sanguinetti's principal challenges this time will be to forge a new role for the country within the context of Mercosur, the emerging customs union that will from next January integrate the Uruguayan market with its enormous counterparts in Argentina and Brazil.

During the campaign, Mr Sanguinetti expressed concern at some aspects of regional integration, particularly its potential to expose fragile Uruguayan industry - and jobs - to fierce competition. He has spoken of the need for properly conceived export policies.

Mr Sanguinetti has also criticised the Blancos for allowing the peso to appreciate as part of its inflation-busting strategy. This has led to speculation - denied by Mr Sanguinetti - that he is contemplating a devaluation.

The president-elect has said that a too-strong currency has been prejudicial to exports and has helped to fuel a trade deficit, expected to be \$900m this year. Mr Sanguinetti may well try to slow the peso's appreciation, though he will have to balance this against efforts to bring inflation down from its current 40 per cent a year.

When Mr Sanguinetti left office in 1989, inflation was more than 80 per cent a year and the government was running large budget deficits, leading opposition critics to question his commitment to fiscal rectitude.

AMERICAN NEWS DIGEST

US home sales up in October

Sales of existing US homes rose by 0.5 per cent in October, but downward revisions to statistics for earlier months meant that the announcement offered more evidence of a slowdown in the housing market. The National Association of Realtors said sales of existing single family homes rose to a seasonally adjusted annual rate of 3.51m in October from a revised level of 3.49m in September. The figure is, however, a drop from the 3.97m annual rate the association had originally reported for September. The association is predicting sales of existing homes will reach a total of 3.57m in 1994.

Home sales have shown increasing signs of weakness in recent months in response to the Federal Reserve's successive increases in short-term interest rates, which had already pushed average 30-year fixed-interest mortgage rates up by 2 percentage points before the three quarters of a percentage point increase the Fed decided on two weeks ago. George Graham, Washington.

Low-smoke smokescreen?

US cigarette manufacturer R.J. Reynolds Tobacco yesterday appeared to be playing down prospects for the launch of a new type of low-smoke cigarette called Eclipse, saying it did not know if or when the cigarette would be introduced because it was still being developed.

Reynolds, part of R.J.R. Nabisco, the US food and cigarette group, has been testing the cigarette which works by igniting a charcoal element at the end and passing the hot air over tobacco without burning it. A similar non-burning cigarette called Premier, launched by the company in 1988, flopped.

Yesterday Reynolds said testing indicated that Eclipse had less tar and nicotine than 95 per cent of cigarettes currently on the market and eliminated 90 per cent of second-hand smoke. Richard Tomkins, New York.

Camel court case to go ahead

The US Supreme Court yesterday refused to block a lawsuit accusing R.J. Reynolds Tobacco and two advertising agencies of improperly targeting minors with a Camel cigarette advertising campaign.

The lawsuit, filed in California state court in 1992, charged that the promotion featuring a cartoon character called Old Joe Camel seeks to unlawfully make smokers of teenagers. The suit named Reynolds and a unit of the Interpublic Group of Companies and Young & Rubicam, the advertising agencies which helped develop the campaign. Reuter, Washington.

Argentina challenger picked

Argentina's opposition Radical party has picked Mr Horacio Massaccesi, governor of Rio Negro province, as its challenger to President Carlos Menem in next May's presidential elections. The Frente Amplio, an opposition coalition, has postponed nominating its presidential candidate for next year's elections, expected to be won convincingly by Mr Menem.

Mr Massaccesi defeated rival Mr Federico Storani by a wide margin, partly as a result of backing from former Radical president Mr Raúl Alfonsín, and from powerful Córdoba governor Mr Eduardo Angeloz.

Mr Massaccesi now faces the task of fortifying a Radical party plagued by poor results in recent elections and riven by internal conflict. "The next step is to create party unity" so that we "can offer Argentinians alternative proposals to official policies of backwardness and social injustice," Mr Massaccesi said in his victory speech. David Pilling, Montevideo.

Senate Republicans start to jockey for position

By Jurek Martin in Washington

The nascent rivalry between two potential Republican presidential candidates - Senators Robert Dole and Phil Gramm - could get an early airing this week as the party begins to choose senior congressional leadership positions.

Mr Dole is certain to be elected majority leader by his peers on Friday but it is far from clear who will be his number two - Senator Alan Simpson of Wyoming or Senator Trent Lott of Mississippi.

While both are conservative, Mr Lott has made no secret of his support for Mr Gramm's candidacy for the Republican nomination and the Senator from Texas has returned the compliment by openly preferring his Mississippi colleague to be Mr Dole's deputy.

Mr Gramm's argument, which he is not shy in expressing, is that if Mr Dole is frequently going to be absent in pursuit of his national ambitions, Mr Lott would be a more effective deputy.

Some political observers translate this into the belief that Mr Gramm would urge Mr Lott to undercut the majority leader on key policy issues relevant to the 1996 campaign.

The Dole-Simpson connection is based more on a record of pragmatism, plus a shared reputation for being ascerbic.

Both support abortion rights, unlike many party dogmatists, while the Senator from Wyoming, probably the leading congressional authority on immigration, is less inclined to take the hard line against all immigration currently popular among right-wing Republicans.

Mr Lott also has some history of accommodating party moderates, both in the Senate and as a House whip in the 1980s.

In a recent interview Mr Lott urged the conservative forces lined up behind Congressman Newt Gingrich, who is due to be elected next Speaker of the House on January 4, "to cool their jets a bit."

But he is also contrasting his "more extensive and personal" relationships with the new House leadership to those of Mr Dole and Mr Simpson.

Mr Simpson told the New York Times in typically blunt language that he was the best candidate to combat what he described as the Republicans' "atavistic desire to clobber themselves when they begin to give each other the saliva test of purity."

The new Republican committee

chairmanships in both houses will not be settled until early January. But, over the weekend, Mr Dole pretty much laid to rest flickering speculation that Senator Jesse Helms of North Carolina would not take over the foreign relations committee following his extraordinary attacks on President Bill Clinton.

"If you're going to start knocking down seniority," Mr Dole said, "there's going to be an avalanche." This was taken as a clear warning that any challenge to Mr Helms could lead to conservative attempts to oust party moderates in line for committee chairmanships, such as Senator John Chafee of Rhode Island who is due to take over the environment and public works panel.

Democrats also have some close leadership contests to decide. The party's House members must decide

tomorrow whether to remove two of the old hierarchy, Congressmen Richard Gephardt and David Bonior.

They are the outgoing majority leader and chief whip and are under challenge for both positions in the new minority from a pair of southern conservatives, Congressman Charlie Rose of North Carolina and Charles Stenholm from Texas, respectively.

A third contest - for chairmanship of the party caucus, pits Congressman Vic Fazio against Kweisi Mfume, now head of the black caucus.

On Friday, Senate Democrats will choose a new minority leader from between senators Tom Daschle of South Dakota and Christopher Dodd of Connecticut.

Mr Daschle is the protégé of Sen George Mitchell, the outgoing majority leader.

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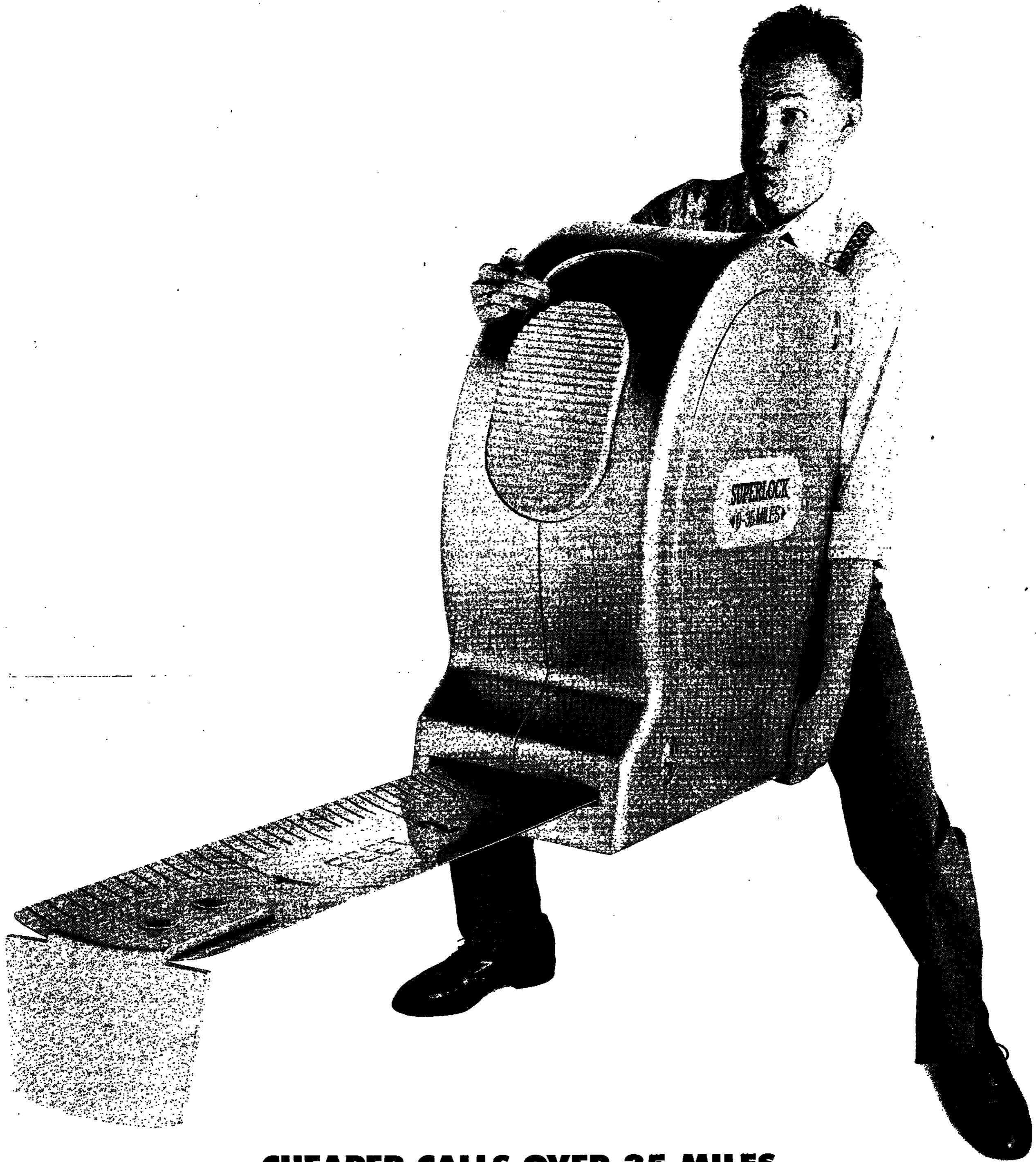
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Refugee zones scheme urged for Rwanda

The presidents of Rwanda and Burundi called for internationally supervised security zones to be set up in Rwanda to encourage the return of hundreds of thousands of Hutu refugees. Reuter reports from Kigali.

Zairean President Mobutu Sese Seko, Rwanda's Pasteur Bizimungu and Burundi's Sylvestre Ntibunganya added that refugees remaining in Zaire would be relocated further from the border with Rwanda, according to a statement read on state television yesterday. "Refugees refusing to return to their country of origin will be moved away from the frontier," it said.

The three men agreed on the need for the zones at a summit on Saturday at Mobutu's northern palace at Gbadolite. It was the latest of several meetings aimed at resolving the crisis caused by an exodus of more than 1m Rwandans who fled the advancing Rwanda Patriotic Front (RPF) in July.

The new Tutsi-dominated Rwandan government sees the presence in eastern Zaire of the refugees, discouraged from returning by the former Hutu militia leaders, ex-ministers and army chiefs in their midst, as a serious security threat.

Burundi, where there are escalating clashes between local Hutus and Tutsis, believes that an influx of 200,000 Rwandans into its territory is fuelling ethnic hatred.



Mobutu: a great step forward

Zaire, a close ally of the ousted Hutu leaders, is deeply concerned about deteriorating security in the squalid camps along its border with Rwanda. Zairean troops shot dead at least 18 people and wounded 70 in the Katala camp on Thursday and Friday after a soldier was killed in a quarrel over a refugee's car registration.

Zaire on Sunday expelled 37 Hutus from the teeming Goma refugee camp, handing them over to RPF troops at the border in what an official said was a crackdown on crime.

Mr Mobutu, hosting the Chadolite summit, was quoted as calling the security zone idea a great step forward and saying he hoped it would win international backing.

Thai police bend rule of law

A catalogue of crime has stirred uneasy feelings, writes Victor Mallet

Nobody paid much attention when they saw a 20-year-old policeman demanding cash from passing motorists in central Bangkok the other day. Thai policemen, unmistakable in their too-tight brown uniforms, routinely engage in roadside extortion.

What gave Mr Thammarong Srirachoen away as an impostor and led to his arrest was not his blatant money-grabbing but an incorrect salute to a passing police officer with his left hand instead of his right. He had stolen the uniform.

Incidents such as this (Mr Thammarong's mistake was explained at a news conference by a Thai police chief) have for years been cheerfully accepted by the majority of Thais. They take it for granted that the 170,000-strong police force is corrupt. But a lengthening list of recent murders and other tragedies in which police were implicated has aroused uneasy feelings among even the most cynical Thais, fuelling a debate about the pernicious effects of corruption.

Earlier this year, seven Thai policemen were charged with involvement in the murder of at least nine visitors from Japan, Hong Kong, Taiwan and China; the victims were robbed and shot. In July, a 15-year-old prostitute committed suicide by drinking poison in a police station in the southern town of Hat Yai; she had escaped from a brothel and gone to the police station to seek help, but the police sent her away.

All prostitution is illegal in Thailand, and the government is waging a campaign against child prostitution. But underpaid policemen earn substantial sums in "protection money" from brothel-owners for turning a blind eye, and in some cases run brothels themselves. Even if the credibility of the Thai police had been able to survive such scandals, it would surely have been destroyed by recent developments in the case of the stolen Saudi gems.

is waging a campaign against child prostitution. But underpaid policemen earn substantial sums in "protection money" from brothel-owners for turning a blind eye, and in some cases run brothels themselves. Even if the credibility of the Thai police had been able to survive such scandals, it would surely have been destroyed by recent developments in the case of the stolen Saudi gems.

Several people connected to the case have meanwhile been murdered in Thailand. The two most recent victims were the wife and child of a jeweller in the case. They were bludgeoned to death, but the police forensic department initially

interview, but added: "Anything can happen in Thailand. Today they arrest the generals; tomorrow they will say there is no evidence. The big policemen here have a better life than the prime minister himself."

Many Thai policemen are so involved in crime, rather than crime prevention, and so dedicated to protecting the rich and powerful, rather than enforcing the law impartially, that it will be hard for any government to make them change their ways.

A recent study by Bangkok's Chulalongkorn University found that some officers pay bribes of up to Baht 500 (US\$125,000) to their superiors to be promoted to lucrative posts enjoying a steady flow of extorted money - in areas with plenty of brothels, for example.

But the new wave of popular outrage at the latest police crimes may start to make life easier for the few senior police officers regarded as honest.

Maj-Gen Seri Temiyavej, one such crusader, recently arrested one of Thailand's best-known "godfathers", in connection with an allegedly illegal land deal near the coastal resort of Pattaya.

Even if such prosecutions succeed, cleaning up the police force is likely to be a painfully slow process.

"What we've been trying to do is to establish the rule of law," says Mr Chuan Leekpai, the prime minister. "I think the situation will improve as a result of the government's determination, but in the short term it may not be so easy to perceive."

"I'm glad that the public in Thailand are starting to have some sympathy," he said in an

'The law enforcement branch has broken its last bond with the people,' a Thai columnist says

In 1989 a Thai worker in Saudi Arabia stole \$20m (£12.5m) worth of jewellery from the palace of a Saudi prince. He was arrested after his return to Thailand and the recovered items were proudly displayed by the police.

Triumph quickly became farce when the haul was sent back to Saudi Arabia, because most of the returned jewels turned out to be fakes copied from the originals. A police general's wife was seen, and photographed, wearing what appeared to be one of the stolen necklaces, although she and her husband later insisted this too was a fake.

At first the saga was seen in Thailand as something of a joke, since the Saudis were not popular either as employers in their own country or as visitors to Thailand. But the mood has now changed. Saudi Arabia has stopped granting

announced, to cries of derision, that they had died in a car accident.

"The law enforcement branch has broken its last bond with the people," wrote Mr Sutichai Yoon, columnist and editor-in-chief of The Nation newspaper.

The embarrassed Thai government finally acted: two police generals have been charged in connection with the killing of the jeweller's family, and dozens of other police officers are under investigation.

Mr Mohammed Said Khoja, the outspoken Saudi chargé d'affaires in Bangkok, remains understandably sceptical. He arrived in 1990 on what he thought would be a three-month mission to resolve the affair and is now in his fifth year in Thailand.

"I'm glad that the public in Thailand are starting to have some sympathy," he said in an

Aborigine land fund setback

By Nikki Tak in Sydney

The Australian Senate, the federal parliament's upper house, yesterday referred the government's contentious Aboriginal land fund legislation to a select committee for further examination.

The move came despite warnings from Senator Gareth Evans, the government's Senate leader, that this could trigger a "double dissolution", that is, a dissolution of both houses, necessitating fresh elections.

The legislation proposes to establish a \$1.4bn (£630m) land fund by 2004, through a series of government payments over the next 10 years. By using the money to make land purchases, the fund would aim to help dispossessed Aborigines who are unlikely to benefit from last year's Native Title legislation.

The proposed structure of the land fund and the relatively low level of financing have been criticised by some Aboriginal groups. In recent weeks, the Senate, where the government does not have a majority, has made a large number of amendments to the bill. But the government refused to accept these and returned the legislation to the Senate.

Yesterday, Senator Evans, Australia's foreign minister, warned the government would treat a select committee reference "as a failure to pass this legislation within the meaning of the Constitution, Section 57". This states that if legisla-



Evans: 'double dissolution'

tion passed by the House of Representatives is rejected or obstructed by the Senate twice within certain time limits, Australia's governor-general may dissolve both houses simultaneously.

The notion that the government will seek to call an early election, before the economic outlook clouds, has circulated for some months, and the land fund hiatus could provide an excuse. But, in issuing his warning, Senator Evans emphasised yesterday that the government was not looking for an "artificial trigger".

Meanwhile, Senator Brian Harradine, an independent whose vote was crucial to securing the committee referral, pointed out that a double dissolution trigger was already in place because of the Senate's decision to reject certain immigration-related legislation.

New Zealand Labour party moves up in polls

By Terry Hall in Wellington

Support for New Zealand's Labour party has improved with opinion polls timed to coincide with its annual conference at the weekend showing it with 25 points against the National government's 42.

The change in Labour's fortunes has been dramatic: less than three months ago it came in fifth place in a by-election in the South Island Selwyn constituency, a seat it nearly won in last year's general elections. The polls suggest that the New

Zealand political scene is set to return to its traditional dominance by its two old established parties.

Labour's resurrection has been partly due to hard work by Ms Helen Clark, the party leader in distancing it from the right wing policies that it followed in government between 1984 and 1990 that caused its eventual landslide defeat. Labour's unity has been helped by the departure of both left and wing ring critics to join other parties.

It recently unveiled populist economic policy featuring higher taxes

for the well off, bigger family support payments, industry planning and a venture capital fund.

However it has also benefited handsomely from the surprise decision of Jim Anderton to step down as leader of the Alliance party, an unusual grouping of left and centre parties.

A charismatic former president of the Labour party, Mr Anderton broke away to form his own left wing party in 1988. This was promptly joined by some minor political groups favouring such disparate policies as monetary reform and Maori rights and also

the Green movement.

Mr Anderton's consistent rating as preferred prime minister helped the Alliance become the country's second top polling party. But his resignation saw the Alliance support drop by 20 per cent to 23 points, its lowest level this year.

The Alliance is now led by an Ms Sandra Lee, who is considered too inexperienced to be able to revive its fortunes.

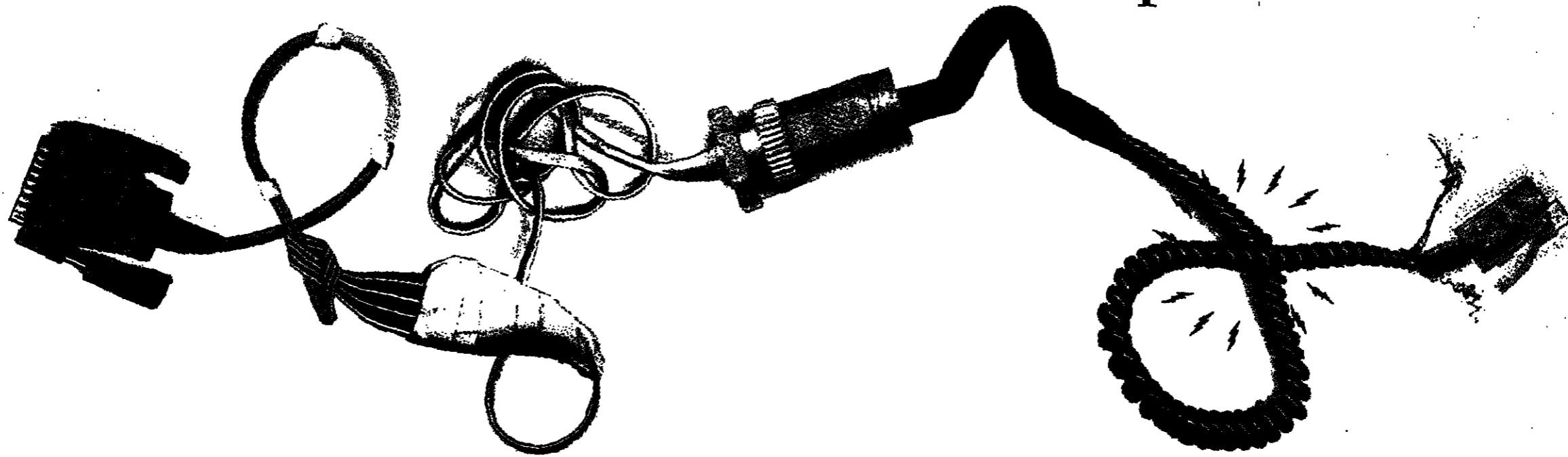
The fourth political party now represented in parliament, New Zealand First, led by Maori MP Winston

Peters, has slumped badly in public support following a public spat over its funding.

However, the advent of a new electoral system, which will reduce the number of electorate seats from 99 to 66, is causing concern among sitting MPs.

They believe the reduced number of seats means fewer of them can represent the existing main parties, and many are known to be considering joining or forming new parties, which they calculate will prosper under proportional representation.

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KMT makes sure the party is not over

Taiwan's Nationalists seek to continue enjoying fruits of power, writes Laura Tyson



Taiwan's long-ruling Nationalist party, the Kuomintang, fearing that the opposition Democratic Progressive party may try to nationalise its vast business empire should it come to power, is consolidating its assets, converting them into more liquid form and investing profits offshore.

Accustomed to ruling by fiat and fiat, the 100-year-old KMT has turned to its extensive business interests to keep its grip on power through the ballot box.

So far the strategy, while costly, appears to have worked. The KMT is believed to have an edge over the opposition in elections to be held on Saturday. However, the party, which has seen its mandate slip perilously since the lifting of martial law in 1987, is scrambling to protect its riches.

It is coming under increasing pressure to disclose the true extent and origins of its assets. DPP legislators have drafted a law governing the activities of political parties, but the KMT has obstructed attempts to put the draft on the parliamentary agenda.

"There are a lot of unanswered questions about how the party became so rich and how it started all its businesses," says Professor Lu Ya-li, a political scientist at National Taiwan University.

"The party's main concerns right now are to make all the companies private so people will never know how rich the KMT really is, and to move

assets offshore, both for economic and political reasons."

The party is regarded as one of the island's biggest and most diverse industrial conglomerates. Its seven holding companies have investments in more than 100 enterprises spanning cement, electronics, finance, petrochemicals, telecommunications, construction and trade. The total registered assets of those businesses, of which perhaps a dozen are listed, stood at T\$950bn (£23bn) and net assets at T\$340bn at the end of 1992, the most recent figures available.

"The KMT has managed to gain control of a large part of Taiwan's economy and accumulate a huge amount of party enterprises and assets, and through these can also exert control over domestic politics," says Prof Chen Shih-meng, an economist at National Taiwan University and co-author of *Dismantling Party-state Capitalism*, published in 1991. "I doubt very much that President Lee Teng-hui is trying to build a true democracy in Taiwan as long as he wants to hold on to the party's wealth."

In the last year, the party has begun to invest offshore, mainly across south-east Asia where it ranks among the biggest foreign investors in Vietnam and Indonesia. It has invested or considered investing in the US, Japan, Hong Kong, Burma, Russia, Paraguay and even China, though through circuitous channels as it officially bans investments in the Chinese mainland.

As democracy threatens to erode the longstanding privileges of KMT enterprises, the

party's new policy is to list as many of its companies as possible on the stock exchange. Last week Fuh-Hwa Securities Finance, whose monopoly on finance for margin share trading is being broken down by deregulation and is one of the party's biggest earners, went public.

According to a book just published by the party, *The Evolution and Ideals of the Kuomintang of China*, the purpose behind listing KMT companies is "so that all the people may share in their success".

Critics say it is so that the KMT can reap while they are still profitable.

"Through listing, the party will be able to cash in assets very quickly and transfer them overseas if necessary," says Prof Chang Ching-hsi, also an economist and the other author of *Dismantling Party-state Capitalism*. "That way the party can also use its assets more flexibly before elections," he added in a reference to alleged vote-buying.

This weekend voters will for the first time elect mayors for Taipei and Kaohsiung, the island's two largest cities, and a provincial governor in what are the most important polls to date in Taiwan's political reform. Municipal councils and a provincial assembly will also be elected.

A DPP victory would not pose an immediate threat to the KMT's empire. Nonetheless a KMT loss would tilt the balance in favour of the opposition in crucial parliamentary

elections late next year and first ever presidential elections slated for early 1996.

Critics say that the KMT built its empire through its privileged position. The party bought land from the government at a fraction of market value, enjoyed monopoly market positions in certain sectors and preferential access to government contracts, they say.

KMT officials do not deny such charges but counter that party businesses have contributed greatly to Taiwan's economic and cultural development and moreover many of them are marginally profitable or even loss-making.

The advent of democracy has resulted in ever-tighter links among party members, businessmen and politicians. "Party discipline is now a major problem for the KMT," says Prof Lu. "In the old days, party leaders could impose their will on the rank and file but now they must use persuasion. This has resulted in trading of favours and widespread corruption."

In addition, says Prof Chen, there are many enterprises that are only partially owned by the KMT "but in fact are completely controlled by the party, not in legal but in practical terms".

Once transformation of its business empire is complete, the KMT should be well positioned to withstand the rigours of democracy. Analysts estimate its annual expenditures at \$200m compared with \$2m for the DPP. The KMT's ability to out-finance the opposition in future elections looks likely to be assured for some time.



President Lee Teng-hui watched over by a portrait of Sun Yat-sen, founder of the 100-year-old KMT

INTERNATIONAL NEWS DIGEST

Australian 'right to strike' row

Australia's federal government was yesterday at loggerheads with the powerful Australian Council of Trade Unions (ACTU) over the country's new "right to strike" law, as a 24-hour stoppage by aircraft refuellers and oil tanker drivers in support of a 13 per cent industry-wide pay claim brought chaos to airports. On Friday, the Industrial Relations Commission ruled that by pursuing an industry-wide pay claim the union involved - the Transport Workers Union - was seeking to avoid "enterprise bargaining", and that its right to strike free from the threat of legal action should be withdrawn. The Labor government yesterday said it supported this stance. But the ACTU weighed in behind the TWU, whose appeal against the IRC ruling will be heard today. "If pattern (industry-wide) bargaining is good enough for politicians, judges, members of the IRC and the business sector, then it's good enough for transport workers," said Mr Martin Ferguson, ACTU president. *Nikki Tsai, Sydney*

Malaysian politician on trial

A leading member of Malaysia's dominant political party appeared in court yesterday on corruption charges. Mr Abdul Rahim Tamby Chik, until recently chief minister of the state of Malacca and head of the youth wing of the United Malays National Organisation (UMNO), was charged with abuse of power and corruption in relation to land deals in his state.

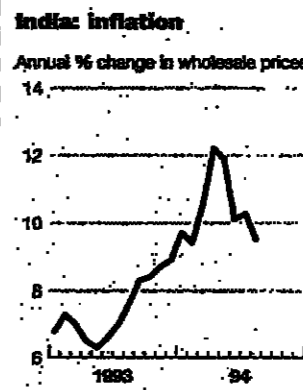
In a case which caused widespread controversy in Malaysia, Mr Rahim was forced to resign from his official posts last month after it had been alleged that he had sexually abused a 15-year-old girl. The attorney general subsequently ruled that, although there was a strong suspicion about Mr Rahim in the case there was not enough evidence to bring charges. Mr Rahim had been considered a close ally of Prime Minister Mahathir Mohamad. *Kieran Cooke, Kuala Lumpur*

Japan-Germany council set up

Japan and Germany will proceed with long-delayed plans for a council to promote corporate co-operation in science and technology. Mr Heinrich-Dietrich Dieckmann, German ambassador to Japan, said yesterday the joint council on high technology and environment technology would hold its first meeting in Tokyo on December 12 and 13. *William Dawkins, Tokyo*

Indian inflation rate is falling

The Indian inflation rate is falling, according to data published this week showing that the annual rate of increase of wholesale prices in the week ending November 12 was 8.89 per cent. The inflation rate is well below its recent peak of 13.7 per cent in 1991-92, when Prime Minister P.V. Narasimha Rao, launched his economic reforms. It is also comfortably below a recent high of more than 11 per cent in May this year, when the rate of increase was pushed up by rises in prices of government-controlled commodities including fertilisers. A good monsoon, the seventh in succession, has helped limit price increases. *Stefan Wagstyl, New Delhi*



Economic overheating approaches the danger level

By Laura Tyson in Taipei

Taiwan may be experiencing too much of a good thing as its economy gains speed, the country's planning ministry warned yesterday. The economy showed signs of overheating in October for the second consecutive month, the cabinet's Council for Economic Planning and Development said.

The council's coloured signal system for measuring economic health flashed a "yellow-red light", indicating

fast growth but danger that the economy may be overheating. Until September, a yellow-red signal had not been used since August 1989. A green light, meaning steady growth, was posted for nine consecutive months before September.

An October business confidence survey showed 65 per cent of manufacturers taking part believed the economic climate would remain stable for the next three months, unchanged from a month earlier. Businessmen who felt the economy

would improve in the next three months fell from 23 to 21 per cent; those expecting it to worsen climbed from 12 to 14 per cent.

Last week the government's central statistics office said growth in gross national product reached 6.08 per cent in the third quarter of this year, up from 5.62 per cent in the second quarter. The forecast for the fourth quarter was raised to 6.9 per cent from 6.44 per cent, based on improved export performance and strong domestic investment.

The statistics office forecast GNP growth would reach 6.1 per cent in 1994 and 6.52 per cent in 1995. In 1993 Taiwan's GNP rose 6.02 per cent.

Taiwan's negotiators blamed counterparts from their arch-rival China yesterday for failure of six days of bilateral talks in the eastern Chinese city of Nanjing, Reuters adds.

Returning to Taipei's international airport, Mr Shi Hwei-yon, Taiwan's chief negotiator, said the Chinese side had raised new questions that

prevented final agreements being signed. "Both sides in principle agreed on the structure and resolutions for an agreement," said Mr Shi, deputy secretary-general of Taiwan's quasi-official Straits Exchange Foundation (SEF).

"But (China's) Association for Relations Across the Taiwan Straits (ARATS) raised many new questions and that led to the failure of signing a final agreement," the semi-official Central News Agency quoted Mr Shi as saying.

We'd like to set the record straight.

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NEWS: WORLD TRADE

China spells out views on Gatt timing

By Guy de Jonquieres, Business Editor

China said yesterday that it would offer no new concessions in its eight-year-long negotiations to rejoin the General Agreement on Tariffs and Trade if the talks were not concluded by the end of the year.

However, Beijing said it would continue to participate in negotiations after the deadline until its Gatt status was resumed, if it were asked to do so by the secretariat of Gatt or the World Trade Organisation, its successor.

The message was conveyed to Mr Peter Sutherland, Gatt director-general, by Mr Long Yong-tu, Beijing's chief negotiator, who has led a Chinese delegation to Geneva to take part in further membership talks.

Western diplomats said the statement appeared to be a face-saving acknowledgement that it may be impossible to reach an agreement on WTO entry terms by the end of the year, and that China may have no option but to accept an extension. They pointed out that Beijing appeared to have softened its previous line by dropping suggestions that it would walk away from the talks if the year-end deadline was not met.

They also said China's insistence that it would not make fresh offers or seek bilateral

negotiations with Gatt members after the end of this year need not prevent it from responding to demands by other countries that it make concessions.

"To the extent that it is not useful to set artificial deadlines, then so much the better," said one US trade official about Mr Long's statement.

The US and the EU have both told Beijing recently that they would be prepared to consider helping China to fulfil its ambition of becoming a founder member of the WTO by conferring such status on it even if it joined well into next year.

However, China has balked at the offer, arguing that it is a device to enable the US to continue spinning out membership negotiations indefinitely. Beijing blames the US for the slow progress of the talks to date, saying that every time China makes a concession, Washington asks for more.

The US, under strong pressure from American industry, has insisted that China join the WTO as a developed country - a demand which Beijing has strongly rejected. Although the EU agrees with Washington that Beijing still has a long way to go to meet the requirements of the multilateral trading system, it is ready to be more flexible by allowing China an adjustment period after it enters the WTO.

Fears grow over EU weapon's safety

Some see trade proposal turning into unguided missile, says Guy de Jonquieres

US Section 301 trade legislation, which calls on other countries to open their markets or face the threat of retaliation, has long inspired fear and loathing in critics around the world.

Few have spoken out more loudly than Sir Leon Brittan, Europe's trade commissioner, who has accused Washington of using "bilateral bully" tactics to extract trade concessions by force.

But now Sir Leon has stirred up controversy by proposing an EU trade measure which, according to its opponents and supporters, could serve many of the same purposes as Section 301 actions.

At issue is the Commission's plan for a so-called illicit practices regulation. Submitted to the Council of Ministers recently as part of the Uruguay Round implementing legislation, it aims to streamline existing EU procedures for tackling other countries' trade barriers.

Sir Leon insists the regulation differs from Section 301 because it would be used only to hold other countries to agreed international rules, not to pass unilateral judgments on their trade policies.

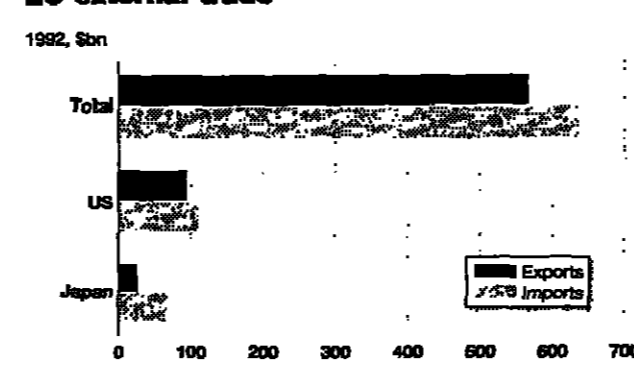
His reassurances have not, however, convinced everyone. "The more Brussels tries to explain why the regulation is not like Section 301, the more similar it sounds," says a senior official of one of Asia's most successful exporting economies.

The proposal has divided EU members. France and most Mediterranean governments support it, saying the EU needs to beef up its negotiating muscle

to compensate for cuts in its trade barriers required by the Uruguay Round.

"When your market defences are coming down, it makes sense to switch to the attack," says an official of the Patronat, the French employers' organisation. "The regulation is a can opener. It is not Section 301."

EU external trade



Source: Gatt

but is in the same spirit." Such thinking troubles more liberal EU governments. Britain, Ireland, Denmark, Germany and the Netherlands fear that the proposal could unleash an unguided missile which might threaten the authority of the new World Trade Organisation.

The proposal is backed by Unice, the European industry federation. However, the BDI, the German employers' body, says it supported the Unice line only out of European solidarity, and has deep reservations about the planned regulation.

Formally, the proposal is a revision of the EU's "new commercial instrument", which permits action against trade

practices not already banned by Community rules. Though in existence since 1984, it has been little used.

The new regulation would make it more accessible by entitling individual companies - not just EU governments and industry bodies, as at present - to institute complaints against

other countries' trade barriers. The complaints would be dealt with by a new committee of member states and the Commission, and be chaired by the latter.

Commission officials say this "third track" would give European exporters the right to the same prompt investigations as EU anti-dumping procedures offer importers which face low-priced foreign competition.

Brussels stresses that the proposal addresses trade practices "incompatible with international law" and would be used primarily to identify cases for adjudication by WTO dispute panels. However, they do not exclude using it against countries outside the WTO.

and in areas where WTO rules are lacking or incomplete.

EU government critics, however, are worried by several aspects of the proposed regulation, which they say is not essential to implementation of the Uruguay Round. Their main concerns are:

- That its wording is too vague and could lead to indiscriminate attacks on any trade practices used by other WTO members, rather than only those which are actionable under WTO rules.
- That the procedures envisaged could give the Commission too much scope for action without consulting closely enough with the Article 113 committee, the body in which the Commission and EU governments co-ordinate

external trade policy.

● That there are uncertainties about how the regulation would fit with a recent European Court ruling which says the Commission and the Council have "mixed competence" over trade in services.

● That it is unclear what form of actions, other than reference to a WTO dispute panel, the EU might take against allegedly illicit practices, and whether such actions might include unilateral retaliation.

Commission officials insist that, unlike Section 301, the proposal does not provide for unilateral sanctions and say they would not resort to them. However, French officials say the regulation's exact application in this and other areas is still under debate.

Some observers suspect the Commission may have deliberately left details of the proposal unclear. They say that, for all Sir Leon Brittan's criticism of aggressive US trade tactics, his alternative approach of "quiet diplomacy" towards Japan has produced little.

As a consequence, he faces growing pressure from European industry to adopt stronger market-opening measures. In its present form, the proposal looks sufficiently tough to satisfy these demands, without committing the Commission to taking specific actions.

Even the regulation's liberal-minded opponents think Sir Leon would not abuse it. But that is not their main concern. Says one: "The problem is that he will not have the job for ever, and a more protectionist successor might have fewer scruples."

Mr Brittan stirred up controversy

Other countries' trade barriers

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NEWS: UK

Company hopes undersea tie with Scotland will follow restoration of connection severed by IRA

Irish cross-border electricity link to reopen

By John Murray Brown in Dublin

The power link between Ulster and the Irish Republic, which was damaged by a series of IRA bomb attacks in the early 1990s, is to be restored, Northern Ireland Electricity, the privatised power utility, announced yesterday. NIE is the largest quoted company in Northern Ireland.

The rehabilitation of the North-South Interconnector is one of a number of cross-border initiatives dusted off in the wake of the paramilitary

ceasefires. The move will result in savings for both NIE and the Electricity Supply Board, the republic's power utility.

The restoration also increases the viability of NIE's proposed £176m (£227m) power link with Scotland, the subject of a public inquiry which should be complete by February.

An NIE official said yesterday the two projects were "perfectly complementary and in line with European energy policy".

The company's link with the republic

will improve load-management efficiencies, allowing both companies to cover temporary power shortfalls. It will also provide trading opportunities for NIE to sell to ESB.

NIE stressed they were "still talking about contracts". However, ESB estimated the project could result in savings of £500,000 (£610,000) a year.

Mr Geoffrey Horton, the Northern Ireland electricity regulator, is reviewing NIE's proposed undersea interconnector project with Scottish

Power after a request from Northern Ireland's consumer committee.

As part of the review, Mr Horton is looking at alternative proposals including one from Meekatharra Minerals, the loss-making Australian mining company, to build a lignite power plant near its coal development near Ballymore in County Antrim.

NIE said yesterday the company had "nothing to fear" from the outcome of any review process. "It is not just a [power] generation problem, it is also a question of ending the prov-

ince's [Northern Ireland] isolation," said Mr Jeff Rigby of NIE.

The European Union has already given its backing to the project with a grant of £61m for the interconnector with Scotland under EU regional aid. NIE said the north-south interconnector could be in service by next March.

If the Scottish Power link up gets the go-ahead, both Irish grids, north and south, will for the first time be integrated into the European network.

Pearson and BBC to launch extra satellite channels

By Raymond Snoddy

The BBC and media group Pearson yesterday announced their plans to push ahead with the launch in January of two 24-hour European satellite television channels, one devoted to news and the other entertainment.

BBC Prime, a subscription service concentrating on drama, comedy, light entertainment, natural history and children's programming, will replace the BBC's existing European general programming.

BBC World, to be financed by advertising, will offer news on the hour backed up by current affairs, documentaries and factual programmes.

Both channels, aimed mainly at continental European cable television networks, will be launched on January 28. Neither will be available in the UK.

Although the BBC hopes eventually to launch a 24-hour television news service for Britain, the launch is the first fruit of the strategic alliance announced earlier this year between the BBC and Pearson, owner of the Financial Times.

The number of subscribers to cable networks is accelerating according to official figures from the Independent Television Commission. By October 1 a total of 779,461 homes was connected to modern broadband cable networks, a 50 per cent increase over 12 months.

Under the deal Pearson has agreed to meet the estimated peak financing cost of the two-channel venture of up to £20m, with the BBC contributing broadcasting expertise and programmes from its library.

At the moment the venture is a 50-50 one between Pearson and the BBC, but talks are said to be at an advanced stage to bring in one or more additional investors who would have a total of 20 per cent.

It is believed that a new potential partner is Cox, the Atlanta-based media group.

Plans are already being drawn up to take similar channels to both the Far East and north America. The smaller markets of Australia and South Africa are also being examined.

UK NEWS DIGEST

Growth eludes newcomers to phone market

The newcomers to the UK mobile telephone market, Mercury One 2 One and Hutchison Telecoms Orange, are failing to make an impact in the business sector, says a survey of members of the Telecommunications Managers Association, which represents large users of telephones. It says the sector continues to be dominated by the traditional operators, Vodafone and Cellnet. One 2 One is a joint venture by Mercury and US West and the largest shareholder in Orange is Hutchison Whampoa, the Hong Kong conglomerate.

Vodafone remains the principle mobile phone operator with a 46 per cent share while Cellnet, a joint venture by British Telecommunications and Securicor, has 38 per cent. Mercury One 2 One, which was launched last year, has a 2 per cent share while Orange, launched about six months ago, has 1 per cent.

Orange, however, is expected soon to overtake One 2 One in popularity in the business community. Asked which operators were most likely to meet business needs over the next two years, 31 per cent of respondents chose Vodafone, 21 per cent Cellnet, 14 per cent Orange and 1 per cent One 2 One.

The survey, published at the annual TMA conference yesterday, confirms anecdotal evidence that Vodafone and Cellnet are taking the lion's share of the current portable phone sales boom because their analogue systems are mature, well-tested and provide extensive coverage of the country. The newcomers, which offer only digital services, are still developing their technical infrastructures, and both are limited in coverage.

Australian competitor arrives

Telstra, the large government-owned Australian telecommunications group, plans soon to launch an international telephone service for UK-based corporate customers. The group acquired a licence to operate in the domestic UK market in April, and was the second overseas carrier to do so. It suggested then that it would offer domestic voice and data services, and resale services to Australia.

Its plans now envisage a broader international call service aimed at corporations and financial institutions. Telstra said it plans to start marketing the service immediately, although it will probably not come into effect until February and will not be launched formally until March. The group faces increasing competition in its domestic market. Its previous monopoly position has been eroded and it has been attempting to counteract this with international expansion.

● Nynex CableComms, one of the largest cable operators, yesterday launched new low-cost phone services for business customers, to include free local calls to multi-site subscribers with three or more Nynex lines per site.

Police to keep helmets

The Metropolitan Police, who patrol most of London, are to keep their traditional pointed helmets for safety reasons, Scotland Yard said yesterday. The helmet, introduced in 1863 and based on a military design used by the Prussian army two decades earlier, is reinforced with plastic and provides protection against a blow to the head. The decision to allow the helmet to survive a review of police clothing

will help identify officers from the increasing numbers of private security firms with police-style uniforms. Some police forces, including the one in the northern city of Manchester, are switching to peaked caps similar to those used in Scotland.

Row between rail companies

One of the new state-owned train operating companies has accused Railtrack, the owner of the national network's track and stations, of providing such a poor service that it has been unable to run its advertised timetables. North London Railways said it had held talks with Railtrack about urgently needed improvements. Mr Chris Gibbard, retail manager of North London, told the local consumer watchdog committee: "We have all been as frustrated as yourself and all our customers at Railtrack's apparent inability to manage the route."

Details of Mr Gibbard's comments were made public by Ms Glenda Jackson, the actress who is now Labour MP for the London constituency of Hampstead and Highgate. "This letter shows the damage being caused by the government's irresponsible fragmentation of the network," she said. Railtrack and North London Railways are two of the units carved out of the former British Rail in preparation for a sell-off of the network in the next few years.

Racists blamed for attack

A racial motive lay behind a beating with a brick which left an Asian shopkeeper in south Wales near death, senior police officers said. Police believe young men staged a disturbance in the early hours of Sunday to lure Mr Mohan Singh Kullar, 60, from an upstairs flat where he lives with his family. Racist graffiti have been scrawled on the shop recently and the family has received threatening letters.

Mr Kullar, who suffered a double fracture of the skull, was said later to be "critically ill" on a life support machine. "He was cold-bloodedly struck about the head: there was no robbery or burglary," said Detective Chief Superintendent Phil Bery. Mr Peter Hain, the local Labour MP, called in the House of Commons for an inquiry into "the rising tide of racist and Nazi violence in south Wales". Police later held five teenagers in connection with the attack on Mr Kullar.

Workplace discipline tightened

Many companies have tightened disciplinary procedures for employees and have widened the range of disciplinary offences in the past six years, says a survey from the independent Labour Research Department. It has found that 79 per cent of 147 procedure agreements covered in the survey were tightened or modified over the period. "The range of possible offences is increasing and cover a wide variety of issues not previously the subject of discipline-related offences," it says. Race harassment and computer-related offences are the most common. It has found "some evidence to suggest that companies have used the recession and the lengthening unemployment queues to tighten up on discipline". The proportion of workplaces considering sexual and racial harassment as matters of gross misconduct by employees has risen from 3 per cent in 1988 to 16 per cent.

Rentokil overtakes Glaxo in survey

By Tim Dickson

Rentokil, the highly profitable business services group, has replaced pharmaceuticals giant Glaxo as Britain's most admired company, a survey said yesterday.

Queens Moat Houses, the debt-ridden hotel group, was least admired, although Lend Lease and Eurotunnel were only just ahead in the poll published by Management Today magazine in association with Loughborough University.

The survey covered the 10 biggest quoted companies by stock market capitalisation in each of 26 industrial sectors.

The 10 most admired companies

Company	1992	1994
Rentokil	3	1
Glaxo	1	2
Marks & Spencer	6	3
SmithKline Beecham	9	4
Unilever	2	5
Readers	5	6
Cadbury Schweppes	14	7
Electrocomponents	-	8
Shell	7	9
Bowthorpe	-	10

The chairman, chief executive and five other directors from each of the businesses were asked to rate companies in their sector on a scale of one to 10 on the basis of nine criteria.

These ranged from management quality, financial soundness and ability to recruit and retain top talent to innovation, community and environmental responsibility and use of corporate assets.

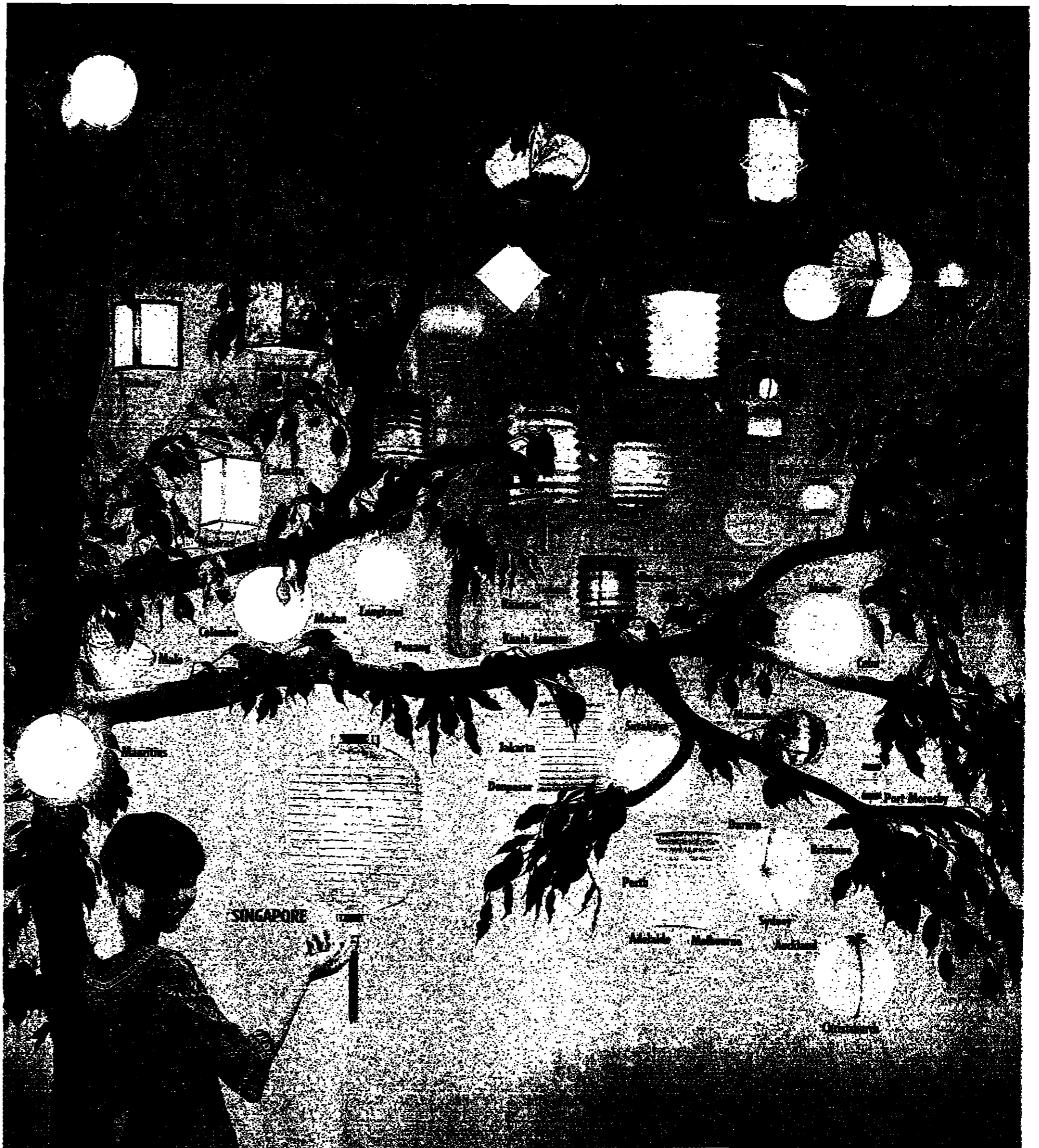
Sector analysts at 10 leading investment companies were also asked for their opinions.

Apart from Rentokil and Glaxo - the latter topped the previous survey in 1992 - Marks and Spencer, SmithKline Beecham, Unilever, Reuters and Shell were all well regarded and retained their places in the top 10. Among less familiar names Electrocomponents, the electronic and

mechanical components distribution group, and Bowthorpe, the manufacturer of specialist electronics, were eighth and 10th respectively.

Companies making the greatest strides from 1992 included supermarket group Asda (up from 239th place to 198), Whitbread (161 to 25) and British Steel (189 to 54). Among the biggest losers were the exhibitions group Blenheim, which has been plagued by poor results, profit warnings and internal dissent (down from 80 to 256), pharmaceuticals group Wellcome (11 to 108) and Enterprise Oil, the unsuccessful bidder for Lasso (79 to 222).

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SINGAPORE AIRLINES

NEWS: UK

Crackdown urged on black market in milk sales

By Alison Maitland

The UK government, dairy industry and farmers' leaders called yesterday for a crackdown on an emerging black market in milk sales.

The intervention board, the government department that polices Common Agricultural Policy milk quotas in the UK, is investigating allegations that farmers are illegally selling milk to small processors.

Under European Union regulations, all milk sold by farmers

must be offset against their individual quota limit. It is illegal to sell the milk without declaring it.

The deregulation of the dairy industry in Britain has helped push up prices to farmers, encouraging them to produce more milk and boosting demand for quota. European milk quotas, however, prevent British farmers from meeting more than 85 per cent of the domestic needs.

Mr William Waldegrave, agricul-

ture minister, said farmers were understandably frustrated about the EU quota constraints. But they would be "wrong and foolish" to break the rules.

"They'd find themselves in very great difficulty at a time when we're rightly adding to the drive on fraud in the CAP," he said. "Any suggestions that was beginning to happen in the UK would be very damaging."

The intervention board said more than half the 30 tip-offs to its fraud

hotline, set up on November 9, had alleged milk fraud.

Milk Marque, the dairy farmers' co-operative that controls more than 85 per cent of supplies in England and Wales, said "a handful" of its members were being investigated for alleged fraud.

Mr Neil MacFarlane, manager for the Midlands and north Wales, said: "It's not a massive problem, but it gets emotions running high when people are seen to be cheating. It's another potential fraud and it could

become large-scale." Farmers face hefty penalties for producing milk without quota.

They could be levied 23p (40c) a litre by the intervention board and face an unlimited fine and up to two years in prison if the case goes to the criminal courts.

Milk quotas are traded between farmers. However, the cost of buying or leasing the extra quota a farmer needs to cover increased output has soared, reaching a peak this year of 21p a litre for leased quota.

Sir David Naish, president of the National Farmers' Union of England and Wales, said quotas caused difficulties, but there was "no excuse for black marketeering". Milk Marque urged the intervention board to "stamp on it." Breaches were fairly obvious, Mr MacFarlane said. "It's very difficult to hide a 16 or 18-tonne tanker going on to your farm."

This year's overproduction of milk may push the UK over its 14bn-litre quota. Milk Marque urged farmers to wind down production gradually.

Replace CAP subsidies, says think-tank

By Alison Maitland

Agricultural subsidies to farmers in the European Union should be phased out and replaced by a "safety net" of social and environmental payments in rural areas, the Royal Institute of International Affairs will recommend this week.

The radical proposals from the Chatham House think-tank are the latest in a groundswell of pressure for further reform of the Common Agricultural Policy, intensified by the proposed entry of east European countries into the EU.

The institute calls for a 10-point programme of reform to be unveiled in Brussels on Thursday for a comprehensive policy for rural development to replace the CAP and take on a comparable political importance. It says this would involve "organisational changes" in the European Commission and the Council of Ministers - a hint that farm policy would be better dictated by a wider range of ministers than farm ministers.

The report is designed to

coincide with the arrival of the new European Commission next year. It recommends that support for all CAP products should be reduced to near world market prices over five to seven years and that border tariffs should be lowered.

Existing compensation paid to farmers for price cuts should be phased out, while compensation for reductions in support prices in as yet unreformed sectors such as sugar should not be related in any way to output levels in order to discourage overproduction. It should also carry specific time limits.

The institute wants production quotas for sugar and milk to be transferable across borders in the short term, and to be eliminated in the long term. But it says payments for adopting environmentally friendly practices should be available to all farmers. It calls for member states to have greater freedom to introduce social and environmental schemes provided these are strictly controlled to prevent unfair competition.

Farm leaders attack, Page 30



Mr William Waldegrave, the UK agriculture minister, said yesterday it was highly unlikely that his European Union counterparts would agree this year acceptable limits on journey times for animals being transported to slaughter.

He said he did not expect agreement, although the best hope lay with the German presidency of the EU, which will conclude at the end of this year. It was even less likely under the French presidency next year because France would be preoccupied with elections.

Leading British ferry companies have stopped transporting live animals to mainland Europe following protests from animal welfare groups.

The companies say they will reconsider their bans only if there is EU-wide agreement on shorter journey times.

Mr Waldegrave said in London at the start of the Royal Smithfield Show, the UK's main livestock show, that the government was ready to introduce its own code of practice for hauliers if no EU deal emerged, and would seek help from other member states to police it.

While accepting there was genuine concern about animal welfare, he condemned violent tactics by extremists, such as bomb threats against ferry companies. "We will not allow policy to be dictated by those who use such methods," he said.

Lord disclaims earldom to remain an MP



The government's chances of securing victory in the vote on the European Communities finance bill were boosted yesterday after a minister renounced an earldom which he had recently inherited, James Bligh writes.

Lord James Douglas-Hamilton, a junior Scottish Office minister and MP for Edinburgh West, announced that he would not adopt the title Earl of Selkirk following the death of the 10th earl, his uncle, five days ago.

If he had not made the statement Lord James could have been barred immediately from the Commons chamber and unable to vote in tonight's crucial division.

Lord James's current title is a courtesy title and he can therefore sit as an MP.

He said yesterday that he would renounce the earldom under the provisions of the Peerage Act 1963. He had already submitted documents of disclaimer.

He said he had been unhappy to act so soon after the earl's death, but added: "I owe it as a duty to my constituents whom I wish to continue to serve, and as a matter of loyalty to the prime minister and to the Conservative party, to support John Major in the voting lobby tonight."

He had discussed the matter

During last night's critical debate on Britain's contributions to the EU budget, Conservative Euro-critic Sir Teddy Taylor said that an "enormous" number of MPs would vote for "what they think is a load of rubbish".

He warned: "I know there is a substantial number on this side who are totally opposed to what is happening, who feel obliged to vote for it."

He could not walk down the street and face people "straight and open" if it was decided to pour more cash into "this wasteful, fraudulent and non-democratic organisation".

with Mr Ian Lang, the Scottish secretary, and Mr Malcolm Rifkind, the defence secretary, before making up his mind.

Mr Lang said last night: "Lord James's decision is greatly to his credit. It reflects his strong commitment to the welfare of his constituents."

The Peerage Act was used by Mr Tony Benn, the Labour MP, to renounce the title Viscount Stansgate in 1963. Mr Quintin Hogg, the former Lord Chancellor, and Sir Alec Douglas-Home, the former prime minister, also renounced peerages in order to sit in the Commons.

Several MPs pointed out yesterday that Lord James's decision was particularly significant because he had a majority of just 579 in Edinburgh West at the last general election.

Row over duty-free sales reaches High Court

Ferries, airlines, goods suppliers and Dover Harbour Board yesterday asked the High Court to block the attempt by Eurotunnel, the Channel tunnel operator, to put an end to duty-free shopping.

Eurotunnel, which is not allowed to sell duty-free goods on its trains although it has duty-free shops at Folkestone and Calais, claims its competitors are enjoying an unfair and discriminatory advantage under European free trade laws because they can subsidise

fares from on-board sales profits.

Eurotunnel's competitors argued that its application for a judicial review of a 1991 Customs and Excise decision allowing the duty-free trade to continue should be struck out because it was brought outside legal time limits.

The Customs decision was based on a ruling by the European Council of Ministers that, despite the advent of the European single market, the trade should be allowed to continue until 1999

because of the failure to harmonise rates of duty between member states.

At the start of a five-day hearing, the ferry companies' counsel told Lord Justice Balcombe and Mr Justice Tucker Eurotunnel was seeking to argue that its competitors had no sufficient legal interest in the case, enabling them to seek a strike-out order. He said this was clearly a "blatant" attempt to stop the court deciding the question of delay.

The ferries and the other operators obviously had an interest because they relied on revenue from duty-free sales and would be seriously affected if Eurotunnel won its case.

Eurotunnel, which says the duty-free trade represents a total loss to the Exchequer of £600m a year in excise duty and value added tax, is asking that questions of European law are referred to the European Court of Justice as a preliminary to the full hearing of its judicial review application.

Settlement highlights extent of asthma

By Motoko Rich

A bakery worker has received £27,500 (\$45,100) in an out-of-court settlement with his employer after claiming he had asthma from inhaling flour dust.

The settlement was announced yesterday as Britain's Health and Safety Executive released research which showed employees who inhaled chemical and natural irritants at work could become life-long victims of asthma.

Mr Roger Atley of Shawfield, Glasgow, worked for the Rutherglen plant of Greggs, the Newcastle upon Tyne-based bakery chain. A court had been due to start hearing his damages claim against the company today.

The settlement was reached without any admission of liability by Greggs. The HSE said the case would make employers realise the importance of heeding warnings about the risks of asthma at work.

Robin Thompson and Partners, Mr Atley's solicitors, said they were already taking legal action on behalf of other bakery workers who said they contracted asthma in similar circumstances.

The HSE's research, jointly funded by the National Asthma Campaign, found that increased workplace exposure to such irritants is the most important factor in triggering occupational asthma.

Previously, researchers had concentrated on the predisposition of an individual towards allergic reactions, rather than the intensity of exposure to the irritants, said Professor Anthony Newman Taylor, of Royal Brompton Hospital, who carried out the research.

He estimates there are between 1,500 and 2,000 new cases each year.

Mr Murray Devine, a senior HSE health policy official, said employers should install better air extraction systems, enclose the processes which expose workers to irritants and provide protective equipment such as masks.

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French request on air routes rejected



The president of the European Court of Justice has rejected France's application for suspension of the European Commission's April 1994 decision on access to the Paris (Orly)-Marseille and Paris (Orly)-Toulouse air routes.

He said the alleged damage to Air Inter, the French regional airline, and French air transport had not been established.

The Commission's decision said France could not rely on the exclusivity provisions of the 1992 council regulation (2408/92) on access to Community air routes to refuse Community airlines access to the contested routes, in favour of Air Inter.

In June 1993, TAT European Airlines had applied to the French authorities for a licence to operate on the contested routes. The application was rejected on the basis of the 1992 regulation which permitted exclusive concessions on internal routes for a transitional period, when services could not be assured by other forms of transport. The French authorities claimed Air Inter, part of the Air France group, enjoyed exclusivity under a 1985 agreement.

In September 1993, TAT complained to the Commission, relying on a number of grounds including breach of the 1992 regulation. It argued France had agreed in October 1990 to terminate the Air France monopoly over the contested Orly routes by March 1 1992. Since TAT served the same routes from Paris Charles de Gaulle, Air Inter did not have exclusivity as envisaged by the regulation. TAT claimed the consequent discrimination between TAT and Air Inter in the allocation of routes infringed the 1992 regulation.

TAT asked the Commission to adopt a decision under the 1992 regulation, saying France could not continue to apply the measure in issue. The contested decision was adopted on April 27, giving France until October 27 to comply.

In dismissing the French application for suspension of the Commission decision, the ECJ president said the rules of procedure required two conditions to be satisfied: urgency and *prima facie*

grounds for interim measures.

To be urgent, it must be necessary for the Court to adopt interim measures to prevent serious and irreparable harm resulting from the immediate application of the challenged decision.

The president rejected France's arguments that serious and irreparable harm would result. France claimed that Air Inter would lose 35 per cent market share within one year. This would prevent its operation of allegedly unprofitable services on the contested routes. Consequently, it would have to grant state aids to Air Inter to maintain that service, but would not be able to adopt the necessary measures before the end of 1995.

France also maintained the immediate application of the decision would cause serious harm to the organisation of French air transport and the policy of territorial management. And since the exclusivity provisions of the regulation would expire on January 1 1996, the main appeal would be without purpose and the alleged damage irreparable.

The Commission's response was that the evidence on the market evolution and profitability of Air Inter, which was unchallenged, revealed that it was unprofitable on international routes and not Orly routes. Even if specific regional routes were to be given up by Air Inter, which was unlikely, it said there were other airlines with lower costs which could enter the market and maintain French air transport policy.

The president concluded the predicted losses were uncertain. Even if French estimates were correct, the risk that Air Inter would abandon certain loss-making regional routes was a hypothesis subject to innumerable unpredictabilities. And if that did happen, there was no reason to believe the French authorities would be unable to ensure continuity of those routes by inviting other airlines to service them or by imposing public interest obligations in accordance with the 1992 regulation.

Since the harm alleged was not established, it was not necessary to decide if *prima facie* grounds for interim measures existed.

C-174/94R, *France v Commission*, ECJ order of president, October 26 1994.

BRICK COURT CHAMBERS, BRUSSELS

Corporate America blanched in early September when a jury in California awarded Ms Rena Weeks, a former secretary at international law firm Baker & McKenzie, \$7.2m for sexual harassment by partner Mr Martin Greenstein.

Ms Weeks, who had worked for Mr Greenstein for just 25 days, took on the might of the world's largest law firm and won the biggest ever sexual harassment award in a case not involving sexual assault or rape. What, then, might someone in her position inflict on a corporation less well placed than Baker & McKenzie to defend itself?

In the search to find a rational explanation for the size of the award in the days that followed, law firms and company executives were tempted to regard it as an aberration of America's bizarre system of punitive damages.

After all, the San Francisco jury had awarded Ms Weeks only \$50,000 for emotional distress caused by Mr Greenstein touching her breast while putting sweets into her blouse pocket. The rest of the award was punitive damages.

But those who kidded themselves that the Weeks case was a one-off were soon disabused of the notion. The jurors, who had heard testimony of alleged sexual harassment from other Baker & McKenzie employees, told America's Court TV they felt that a message needed to be sent not just to the law firm but to all companies of the dangers of ignoring and covering up unacceptable conduct.

The result of the Weeks case, according to US employment lawyer Mr Ronald Green, a partner of New York's Epstein Becker & Green, is likely to be a big jump in the number of sexual harassment claims in the US.

Last week, Mr Green, who is widely regarded as America's leading employer defence attorney in sexual harassment and discrimination cases, was in London to talk to UK companies about the rise in this type of lawsuit in the US and the risk this poses to UK businesses.

He said the most obvious risk was to companies with operations in the US. His message to them was that their US investment would be imperilled by indifference to this problem and they should take action now, rather than waiting until they faced a lawsuit.

His advice was the same as that to his US corporate clients: carry out an immediate risk assessment, look at the company's prior history of complaints, check grievance procedures, and train your staff.

"The aim is to have employees know enough to expand their rights," he said. But not too much - "you don't want to create a flow of

At risk from harassment

UK companies cannot afford to ignore sexual misconduct, says Robert Rice



Rena Weeks: a jury in the US awarded her \$7.2m for sexual harassment

grievances and complaints".

The second group most at risk comprises UK subsidiaries of US companies. These companies need to be aware of the problem, because the US exercises jurisdiction in this area over a US-owned or controlled employer anywhere in the world.

US-owned companies in the UK could find themselves facing lawsuits in the US from UK-based employees. There was a timely reminder of this in April, when three male foreign exchange dealers at the London branch of Goldman Sachs, the US investment bank, were forced to resign following complaints of sexual harassment from a female colleague.

Mr Green also believes the UK could soon face a wave of its own sexual harassment cases.

Although awards in the UK are unlikely to reach US levels - because juries do not decide damages except in libel cases, and punitive damages are not generally available - there are signs of an upsurge in sex-based employment actions.

The UK Equal Opportunities Commission says the number of complaints of sexual harassment at

work that it received last year rose by 58 per cent from 502 in 1992 to 793. In the first nine months of 1994 it had already received 562.

Public awareness of the problem in the UK has increased through cases such as that brought by Samantha Phillips, an aviation insurance broker with Willis Corroon. In August she was awarded \$18,000 damages by an industrial tribunal after claiming she was sacked because she spurned the advances of a senior manager.

The biggest threat to UK companies from sexual harassment claims will come if the UK allows actions to be brought on behalf of a whole class, or group, of employees. In the US, Mr Green said, class actions in employment cases were well established. In April 1992, for instance, the Illinois-based State Farm Insurance Company settled a sex discrimination class action for \$157m.

In May 1993, in the first class action for sexual harassment, a Minnesota District Court found the Eveleth Taconite mining company guilty of sexual harassment for

creating a hostile work environment for women. Damages are yet to be assessed.

Class actions in this area are potentially devastating. In the US, a woman or a man who has been sexually harassed has the right to go to the US Equal Employment Opportunity Commission, which will investigate and prosecute the complaint free of charge. If the complainant is unhappy with the result, he or she is entitled to bring an action for damages before a civil jury.

Under a new Federal statute, the damages for emotional distress and punitive damages recoverable by a plaintiff proving sexual harassment before a Federal jury are capped at \$300,000, although the cap does not extend to damages for lost prior or future earnings.

In a single action, this law would be of benefit to employers, but in a class action the picture is different. One employee can claim not just on his or her own behalf but theoretically on behalf of all members of the class - which could mean every woman who works for, or has worked for, an employer.

With each member of a successful Federal class action entitled to recover up to \$300,000, the potential threat of such a case to a company's finances is enormous.

Under state law, however, things are even worse. No state has a cap on damages for emotional distress and only a handful, such as New York State, has a cap on punitive damages. Ms Weeks was able to recover \$7.2m because she brought her case under California state law. "One large class action under state law could wipe out a corporation," Mr Green said.

Where companies have offices in several states, there is also a potential for forum shopping. Complainers could choose to bring a sexual harassment class action in a state such as Florida, Michigan or California, which traditionally produce the highest jury awards.

Mr Green earned his reputation as an employers' defence attorney through tough cross-examination of claimants on their past sexual behaviour and personal history. However, that hard-nosed approach is under threat from new federal laws, extending the shield given to rape victims to plaintiffs in sexual harassment cases. The new law prohibits indiscriminate use of a plaintiff's sex history.

Mr Green said this would make it more difficult for employers to disprove plaintiffs' claims that sexual advances were unwelcome and unprovoked. "You win these cases by destroying the credibility of the accuser," he said.

Such cases look like becoming harder for employers to win. Companies doing business in the US have been warned.

LEGAL BRIEFS



Companies liable for employees' price-fixing deals

The English House of Lords has overturned the Appeal Court's 1992 ruling in the *Smith's Concrete* case, in which it said companies were not liable for their employees' breaches of competition law.

In 1991 Smith's and three other ready-mixed concrete companies operating in Oxfordshire were fined by the Restrictive Trade Practices Court for allowing their representatives to enter into price-fixing and market-sharing arrangements. On the basis that the companies had expressly instructed employees not to participate in anti-competitive arrangements, and were therefore "not party to the agreements", the Appeal Court allowed their appeals. The House of Lords has now overturned those decisions.

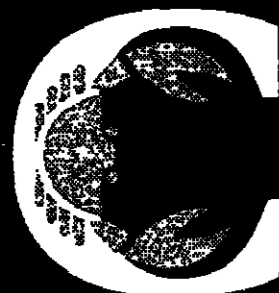
The Law Lords said that to rule otherwise would allow companies to benefit from restrictive trade practices outlawed by Parliament if employees and had been forbidden by "higher management". An employee acting for the company within the scope of his or her employment was the company, they said. The Lords also described the fines of up to £25,000 as "derisory".

Competition lawyers say the decision points up the need for companies to adopt effective competition compliance programmes or risk heavier penalties in future.

Breast implants

An estimated 50,000 British women who had breast implants before June 1993 have two more days to register for a share of the \$4.3m worldwide settlement by US manufacturer Dow Corning. Foreign women who fail to register by December 1 will be excluded from the settlement and may lose the right to pursue claims in the US courts.

TECHNOLOGY



Cancer kills five people every minute of the day. In the first of a six-part series, Clive Cookson reports on the war against cancer and the encouraging trends behind the statistics.

IN THIS SERIES:

DECEMBER

Causes and prevention. Smoking. Diet and food supplements. Sunshine and skin cancer. Chemicals and other environmental causes. Vaccines against cancer-causing viruses. Antibiotics to prevent stomach cancer.

JANUARY

Diagnosis and screening. Genetic susceptibility. Scans. Identifying cancer markers in the blood. Politics and economics of screening.

FEBRUARY

Chemotherapy. Drugs to kill rapidly dividing cancer cells. Reducing multi-drug resistance. Anti-nausea drugs and other ways of reducing side effects. Hormone-based treatments. Photodynamic therapy. Herbal and alternative remedies.

MARCH

Radiotherapy. X-rays. Gamma rays. Neutron beams. Heavy ions. Magic bullets. Antibodies and fusion toxins aimed at cancer cells.

APRIL

Genetic treatment and other biotech approaches. Gene therapy and antisense. Cell migration and adhesion. Apoptosis and cell suicide. Immunostimulants. Cell growth factors. Interferons and interleukins.

Closing in on a serial killer

Cancer continues to sink its claws deeper into mankind. After two decades of "war on cancer", fuelled by billions of research dollars, the death toll rises inexorably.

The disease - named after the Latin word for crab because of the crab-like pattern made by blood vessels on a growing tumour - will kill an estimated 2.5m people in the industrialised world this year. That amounts to almost a quarter of all deaths.

The gloomy mortality statistics contrast with excitement among cancer researchers, who have made more progress towards understanding the fundamental processes responsible for the disease over the past 15 years than in all previous history. The important question for present and future cancer patients is how quickly the new knowledge can be converted into better diagnosis and treatment.

At present there is a gap between doctors' continuing inability to provide much more than palliative care for millions of cancer patients and the cascade of optimistic stories in the popular media about "breakthroughs" in research, such as discovering cancer genes and inventing experimental drugs.

There is an inevitable delay - typically a decade or so - while an advance in medical science is developed for commercial application. So no one should expect the latest discoveries to have made any clinical impact yet. But many people will remember "breakthroughs" from the 1970s and early 1980s, such as interferon and "magic bullet" antibodies, which would have transformed cancer treatment by now - if they had lived up to first expectations.

Very few patients are treated with novel approaches derived from biotechnology. The vast majority still undergo the well-established proce-

dures of chemotherapy (poisoning cancer cells with a drug cocktail) and radiotherapy (destroying them with radiation). Surgery is also used to cut out solid tumours.

"We hear the word 'breakthrough' thrown around too much," says Nicholas Wright, clinical director of the Imperial Cancer Research Fund in London. "And we certainly get the impression that the public are a bit jaundiced by scientists talking about breakthroughs."

Why are more people contracting and dying from cancer? The first reason is an epidemic of cancers caused by smoking, particularly lung cancer. "At least 30 per cent of all cancer deaths are tobacco-related," says Archie Turnbull, executive secretary of the Geneva-based UICC, an umbrella body for the world's cancer charities.

A second, more fundamental, reason is that cancer is mainly a disease of old age. As medicine becomes more successful at preventing early deaths from other illnesses such as heart attacks and strokes, more people are living beyond the age of 70, above which the risk of cancer rises rapidly.

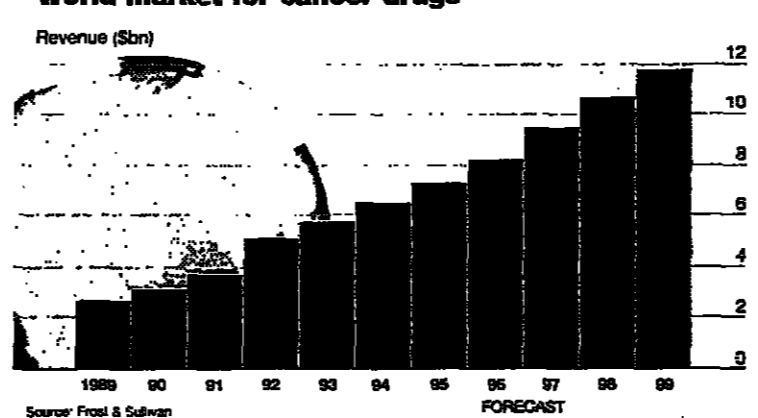
Despite the overall rise in cancer mortality, there have been substantial improvements in some areas. The most encouraging feature of the statistics since the 1970s is the progress in curing cancers in children and young adults - particularly leukaemia, Hodgkin's disease and testicular cancer - through new drug combinations. The number of children under the age of 15 dying from cancer has fallen by half.

There are two principal reasons why young people are responding more readily to treatment. One is that youthful cancer cells in the blood or lymph systems are physically easier to reach and destroy with drugs and/or radiation than the solid tumours of the middle-aged and

elderly. Another reason is that the difference between proliferating cancer cells and normal cells is greater in childhood cancers than in slower-growing adult tumours. Therefore chemotherapy and radiotherapy, which work by damaging DNA during cell division, can destroy more cancer cells without causing unacceptable side-effects.

Prospects for curing the big killers - tumours of the lungs, bowels, stomach, breast, prostate and pan-

World market for cancer drugs



Source: Frost & Sullivan

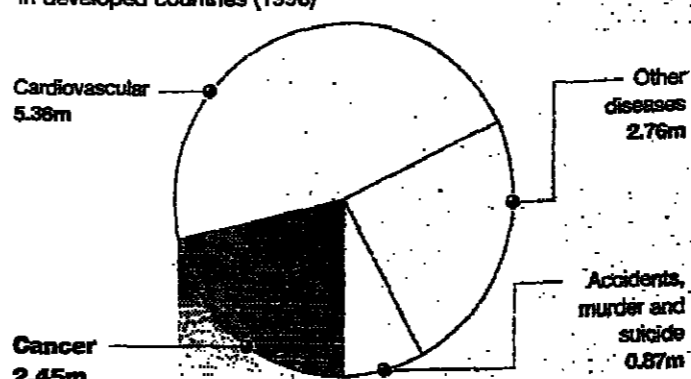
creas - depend above all on developing treatments that discriminate more effectively between cancer and normal cells than the drugs used in chemotherapy today.

The discovery of genetic changes leading to cancer should make this possible, says Gordon McVie, scientific director of the Cancer Research Campaign. "These provide for the first time an absolute chemical difference between the cells. Until now we have had to rely on qualitative differences - the cancer cells making rather more of some proteins and less of others."

Scientists have identified more

Causes of death

In developed countries (1990)



Deaths by cancer

In developed countries ('000s)

Mouth and pharynx	52	Cervix	33
Oesophagus	62	Other uterus	38
Stomach	244	Ovary	90
Large intestine	273	Prostate	110
Liver	55	Bladder	68
Pancreas	118	Other & ill-defined	406
Larynx	33	Hodgkin's disease	8
Lung	530	Other lymphoma & myeloma	88
Melanoma	23	Leukaemia	75
Breast	177	ALL CANCER	2,450

Source: WHO, ICRF

diagnosis and treatment of cancer are being built on such differences between the genes of diseased and normal cells - and the corresponding differences in the proteins they produce. One possibility is to block the damaging effects of abnormal "growth factors" which sustain the proliferation of tumour cells, without harming healthy cell growth.

But cancer genes are not the only reason why researchers are excited. Another is their new understanding of the way the body's immune system recognises and attacks cancer cells. This has led to experimental "cancer vaccines" to boost the immune response.

These novel "biotech" approaches to cancer diagnosis and treatment will be examined over the next six months on the Financial Times technology page. So will advances in more conventional chemotherapy and radiotherapy.

The aim is to convey the real optimism that now prevails in the laboratories - a hope and expectation that cancer will eventually be restricted to a disease of the very old without raising excessive expectations about the speed and ease with which this will happen.

After 50 years in cancer research, Sir Richard Doll of the ICRF Cancer Studies Unit in Oxford sums up the mood: "We are winning the war against cancer, albeit slowly."

Disease tops list of industry priorities

The pharmaceutical industry is devoting huge resources to cancer research and development, in relation to sales of existing drugs.

Although reliable figures are not available, industry sources estimate that companies worldwide spend \$3bn (£2bn) a year on cancer R&D. US companies are responsible for about half the total.

The cancer therapeutics market is worth about \$8.5bn this year, according to Frost & Sullivan, the international market research company: 38 per cent in the US, 28 per cent in Europe and 34 per cent in the rest of the world.

The leading suppliers are Zeneca of the UK (whose tamoxifen was the best-selling cancer drug with \$56m sales in 1993) and Bristol-Myers Squibb of the US.

"Devoting almost 50 per cent of sales revenues to R&D is a very high figure indeed," says David Barrett, Bristol-Myers Squibb's strategic projects director. The industry's overall R&D expenditure is 15 per cent of drug sales.

The main reason why cancer spending is so high is that the disease is top of the industry's priority list of "unmet needs". Although deaths from heart disease are twice those from cancer, they are falling - and cardiologists already have a much wider range of effective treatments than oncologists.

At the same time, scientific advances are giving many new leads both to traditional drug companies and to the emerging biotechnology sector. The world now has more than 1,000 experimental cancer drugs in the R&D pipeline.

Analysts such as Decision Resources and Frost & Sullivan predict continued growth of more than 10 per cent a year in the cancer market into the next century. It is expected to exceed \$10bn by 1998.

The industry's cancer R&D spending is matched by a further \$3bn a year from the world's governments and charities. By far the largest contributor is the US National Cancer Institute, which receives \$2bn a year in federal funding.

The charitable sector is particularly important in the UK, where the Imperial Cancer Research Fund and Cancer Research Campaign spend £100m a year between them - 10 times as much as the state-funded Medical Research Council.

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In addition, it is intended that two subsidiaries of BCC, IEA Coal Research Limited and Combustion Systems Limited ("CSL"), will be transferred to CRE Group. IEA Coal Research Limited is the operating agent for the IEA Coal Research Programme, which undertakes studies to evaluate scientific, technical, environmental, economic and other data relevant to coal. It is also intended that CRE Group will become the operating agent for the IEA Greenhouse Gas Programme. CSL's principal activity is the exploitation of certain patents and intellectual property.

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- a brief description of the applicant's activities and those of the group to which the applicant belongs, if applicable;
- a copy of the audited annual company accounts, and the consolidated accounts of the group to which the applicant belongs, if applicable, for the past three years;
- a brief description of the industrial and economic rationale for the acquisition; and
- an explanation of the way in which the acquisition will be financed.

Applications may be made by fax but should be followed by a postal or hand delivered application and should be sent as soon as possible and, in any case, so that they are received no later than Friday 9 December 1994.

BCC will consider applications to pre-qualify on the basis of the information requested above and any other factors considered appropriate and reserves the right not to pre-qualify any potential purchaser. Applications to pre-qualify should be made only by parties which are incorporated as limited companies.

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General
Neither this invitation, nor the receipt of any offers by BCC will create, with respect to BCC, any obligations or commitment to sell to any bidder and, with respect to any bidder, any rights to demand any performance whatsoever by BCC. BCC reserves the right, in its absolute discretion, to withdraw from negotiations with interested parties without assigning any reason or providing any compensation for fees or expenses incurred. Brokers or agents of any kind must disclose the identity of the company they represent.

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Address for receipt of applications

All communications and applications should be addressed to Samuel Montagu, who will receive them on behalf of British Coal, and marked for the attention of Peter Jones, Director, Corporate Finance Division, at 10 Lower Thames Street, London EC3R 6AE (telephone: 071 260 9315, facsimile: 071 623 5512). Neither BCC nor CRE Group nor any customer or supplier of either of them should be contacted directly (without the prior written consent of Samuel Montagu).

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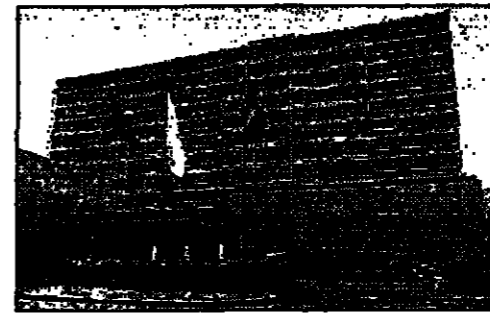
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STATE PROPERTY AGENCY

TENDER INVITATION

The State Property Agency (SPA) invites an open, one-round tender for the sale of the state-owned shares of Balaton Fűszert Kereskedelmi Részvénytársaság (Balaton Fűszert Trade Plc.) (H-7400 Kaposvár, Füredi u. 1.)

Balaton Fűszert Kereskedelmi Részvénytársaság is a public limited company, its shares are listed on the Budapest Stock Exchange. Its main profiles are wholesale and retail trade of foodstuffs, household chemical goods and basic groceries. Balaton Fűszert has modern warehouse bases in two county seats, in Kaposvár and Zalaegerszeg and several discount and cash and carry stores and supermarkets.

The registered capital of the plc. is HUF 1,330,000,000, that is one billion three hundred and thirty million Hungarian forints, 54.68 percent of which is in state ownership.

The SPA's primary aim is to find a strategic investor, skilled in trade, who, by capital increase and by the purchase of a block of the state owned shares will acquire at least 51 percent of the firm's shares. The capital increase can only be submitted to and approved by the shareholders' meeting following the announcement of the result of the tender.

Each bidder will have to submit two bids:

- one for the capital increase (to the extent indicated by the investor) and for the purchase of a share package from the SPA in a way that the shares acquired altogether ensure an ownership ratio of 51 percent for the investor.
- and another for the purchase of 51 percent of the present share capital (HUF 678,300,000)

The Tenderer prefers to offer the share capital increase as oppose to purchasing the shares.

The price expected by the SPA is 115 percent of the nominal value of the shares (bids quoting lower price, however, are not void). The minimum extent of the capital increase is HUF 200,000,000 and can only be performed in cash. In the bid the subscription rate of the shares issued in the course of the capital increase should correspond to the buying rate of shares bought from the SPA.

90 percent of the bid price must be paid in cash, 10 percent in compensation coupons. Foreign investors must pay the total purchase price in foreign currency.

Bidders must deposit HUF 30,000,000 as retention money. A certificate of deposit of the retention money should be attached to the bid.

We hereby announce that the shares of Balaton Fűszert were admitted to the Budapest Stock Exchange in May 1994. The present ownership structure of Balaton Fűszert is as follows:

SPA	54.68 percent
Municipalities	13.51 percent
Employees	17.83 percent
Institutional and private investors	13.98 percent

For further information please contact:

Attila Tóth, deputy director (in Hungarian)
telephone: (36-1)-267-0054
Michael Stanton, advisor (in English)
telephone: (36-1)-267-0084
Gregory Martin, advisor (in English)
telephone: (36-1)-269-8600

Bids should be submitted to the given address in a sealed, unmarked envelope, in three copies, in Hungarian. Foreign investors may submit their offers also in English or German, but the Hungarian copy will rule.

"Pályázat Balaton Fűszert" must be written on the envelope.

The tender documents containing the detailed conditions of participation and the introduction of the firm are available at the Customer Service of the State Property Agency. The price of the tender documents is HUF 30,000 + VAT.

Deadline for submitting bids:

March 1, 1995.
between 10.00 and 12.00 a.m.

Place to submit bids:

Állami Vagyongügynökség (SPA)
Room 804
H-1133, Budapest
Pozsonyi út 56.

HUNGARY: PRIVATISATION GOES ON

مكتبة الأصيل

Drawn to the kitchen sink

William Packer reviews the work of five artists in vogue during the 1950s

Give a dog a bad name - but with art it would seem that any name will stick. It was remarked in the mid-1950s that certain younger realist painters and writers were fixing upon the more unkempt and informal features of domestic life: the lovely Mary Ure at the ironing board, the breakfast-table, the kitchen sink itself. And "Kitchen Sink" was taken up at once, and still stands, as the epithet by which to characterise much of the work. Indeed the very mood, of the entire period.

That it was only ever a partial truth would hardly disqualify so patently catchy and convenient a term. But it had its effects, even so, and not all of them benign. It might be all very well in relation to *Look Back in Anger*, or to John Bratby's paintings of table-tops, or Jack Smith's babies, prams and sink. But was it always quite so apropos? What about *Lucky Jim* or *Godot*? More to the point, what about the still-lives and butchers' shops of Peter Coker, the fields and streams of Edward Middleditch, the Italian farmyards and rooftops of Derrick Greaves?

Give a dog a bad name: so when the mood of the moment lightened with the turn of the decade, and the arch and ironical references of Pop-Art replaced a supposed realist gloom, small wonder that all these painters seemed suddenly so irrelevant and passé, ripe for the rubbish bin. Greaves, Smith, Middleditch and Bratby had together represented Britain at the Venice Biennale of 1956. By the mid-1960s, only Smith, who had since "gone abstract", still enjoyed any critical credibility at all.

The critical rehabilitation, which at times amounts to rediscovery, of the painting of the 1950s has been one of the most positive and encouraging critical developments of recent years. For it reminds us that no critical orthodoxy is either permanent or necessarily narrow, and suggests besides that good work



'Study of a Baby Asleep - the artist's son Simon', c.1956 by Derrick Greaves

presence, with some fine still-lives and kitchen interiors and strong drawings. They offer a salutary reminder that a remarkable young artist has been too long obscured by the reputation of the uncritical, self-regarding outflow and caricature of himself he became in his later years. Certainly he is remembered by those who taught him at the Royal College in the early 1950s as still one of the most gifted draughtsmen ever to pass through the painting school.

But the star of the show is Peter Coker, with but one large painting of an apple tree, of 1956, and a sequence of ravishing drawings, of trees and landscape, of dead fish and hare and chickens, of butchers' heaving carcasses about, and of his baby son asleep - for they all drew and painted their children. And the young Coker's drawings, above the

Theatre/Alastair Macaulay

Raising Fires

It ill behoves me to speak ill of a play that concerns farming folk near Mannington, since the folk I myself come from are all farmers near Mannington and since they present a valuable contrast to the popular conception of "Essex person". Indeed, *Raising Fires*, a new play by Jenny McLeod, is also about rural arson, and in my time I have stood by flaming strawstacks ignited by arsonists.

But *Raising Fires* is not the play to raise Mannington-consciousness. It is merely a muddled melodrama, and dismally close to mimicking the bygone witch-hunting depicted in Arthur Miller's *The Crucible*. Set in Elizabethan times (Mannington is mentioned in Shakespeare), it shows how young Marshall Loder has married one woman, Ruth, to advance his own political career, though having made another girl, Tilda Hubbie, pregnant; and it then shows how the women of the community make Tilda out to be the witching culprit of the mysterious local fires. The twist is that Tilda is black.

Tilda is conceived entirely as a plot victim - female, black, innocent, lovable, maligned. ("The first thing I remember is other people.") Men have used her for their various purposes all along (Minister Hubbie in adopting her, his son Daniel and Marshall Loder in making love to her); and now women pick on her too. "Women look, men touch," she says. But it is peculiar how long we wait until Tilda's colour is properly mentioned (nor is it ever seriously discussed); and yet that, in a trice, becomes the reason why she is picked on as a witch.

The thumbcoats are tightened when Ruth Loder, aware that her husband has impregnated Tilda, bitterly testifies that Tilda is both witch and arsonist. Marshall Loder, a standard male hypocrite who wants political advancement

through his wife's father and sex with Tilda, vacillates. What will he do? Actually, it doesn't matter, for he proves as helpless in the face of mob hysteria as Tilda. Tilda is packed off to her death. Someone ends by saying "God - we will answer for this." A more serious play might have shown them answering for it, or might have made Marshall Loder's dilemma more interesting (by making him a more interesting character), or might not kept its focus more thoroughly on Minister Hubbie (who promises damnation or paradise for the pettiest sins or virtues, but who has kept Tilda irresponsibly passive).

But everything here is clumsy. The language commutes wretchedly between mock-period ("At such a sight the sickness inside me was so great... 'Your babies I had in my arms') and naturalistic modernity ("This is not what I need", "I say 'Sucker the father'"). The conflict between Minister Hubbie and Judge Fury suggests a church v. law conflict that is inadequately investigated. The roles that Daniel Hubbie and Grace Turvey play in the offstage action are insufficiently clear. And the names! Hubbie this, Wife that, Grace here, Fury there. I cannot imagine why this play won a 1993 London Weekend Television Plays on Stage Award.

Dominic Dromgoole, directing, keeps it lively, but he cannot provide depth. The same goes for his cast, which includes Robin Soans as Minister Hubbie, Julie Saunders as Tilda, and Gary Love as Marshall Loder. And there is too much unnecessary shouting. In pub theatres, making the actors turn up their volume controls is the easiest way to achieve intensity, but also the cheapest.

At the Bush Theatre, W.6.

Opera/Roderic Dunn

The Spanish Lady

When Elgar died in 1934, one of the three major unfinished projects he left was an opera, *The Spanish Lady*. Is it salvageable? Arguably not. The surviving material is extensive but fragmentary, and almost beyond repair. But both Cambridge University Opera Club, and Dr Percy Young, to whose devoted scholarship we know as much as we do, are to be congratulated on having a crack at it. *The Spanish Lady* was staged last week as part of the enterprising Cambridge Elgar Festival.

The story is broadly based on Ben Jonson's play *The Devil is an Ass*, on to which Elgar grafted texts from other sources, including Jonson's *The Epicure* (on which Strauss was already working independently for *Die Schicksalskomödie* from 1905). Elgar's text is not merely eclectic, but butterfly-like: part masque, part Restoration comedy, mainly morality à la Volpone (with a satirical bite rather lost here in performance).

This first full staging, in Young's conjectural completion, made for a mixed evening. What was badly needed was the kind of coherent, taut direction Joseph Ward brought to the Royal Northern College's *Elgar's Progress*. There not a finch or quiver was wasted. Here, Adrian Osmond (Trinity), unhelped by the cramping of on-stage orchestra and the set that gave none of the intended sense of place, failed really to surmount any of the inherent problems.

Most first-half stage entries and exits were loose, at worst absurd. Over-fussy or random crowd activity muddled too many focal moments. Principals projected

insufficiently, so that the intricate plot became further confounded. Character definition was weak, with the exception of Leigh Melrose's Meerscraft and Keith Perry's foppish Manly, both admirably sung. The devilry of Pug (Sue Trayling) soon lost its initial promise. Even a memorably funny drag entry by Christopher Genz (Wittipol) as the Spanish instructor was blurred by poor blocking. Blake Applegate supplied the tidiest cameo as Engine, doubling as the duenna.

And Elgar's music? Young's orchestral completion turned out attractive, but markedly "safe". Too often, the music seemed to bare scant relation to what was happening on stage. More risks needed to be taken. But where a salient feature appeared, such as the brief prominence awarded to paired clarinets and bassoon near the end, a momentary magic was unfurled.

Conductor William Lacey (Kings) gave consistently clear leads, surviving one nervous Act II moment in the upper strings but engendering some needlessly awkward pauses that detracted from overall pace. His besetting fault was a monotonous dynamic, frozen between *forte* and *mezzo-forte*. (The leisurely Handel-like pacing best in the stately *Szereada* often verged on the bland; the poise of a Lully or Rameau would have been a welcome relief.)

The choreographer, Darren Royston, seemed alone in sensing this: his dances (with chief accolades, undeniably, to the boys) were charming, lucid and inventive.

Performance sponsored by Warren Insulation.

Van Dam, Levine and the Philharmonia

Opportunities of hearing the great baritone José van Dam in London are so rare that even the turgid account of Brahms's *Ein deutsches Requiem* at the Royal Festival Hall on Saturday was worth catching for his performance. Van Dam, untroubled, it seems, by Covent Garden - ought to be a regular visitor here, but at least he made a brief appearance with James Levine and the Philharmonia Orchestra, bringing a few minutes of musical sanity to an otherwise largely self-indulgent evening.

Van Dam is one of the most musically of singers around today, and he gave Brahms's vocal lines sculpted nobility. His contribution, and that of Barbara Bonney, the radiant soprano soloist, contrasted starkly with Levine's bloated conception of the piece. Levine, chief of New York's Metropolitan Opera, is the conductor who broke almost all records for adding an hour onto the length of the *Ring* at Bayreuth this year, and here his Brahms was similarly distorted.

The majestic funeral march of the second movement lacked muscular

tautness, and seemed more like a musical picture of the throbbing engines on a slowly cruising ocean liner. The strong singing of the Philharmonia Chorus was undermined at every turn by Levine's square conducting, the fugal passages in particular emerging as ponderous exercises in counterpoint. Fortissimos were all equally, unrelentingly heavy.

The concert was certainly a starry one: the soloist in Beethoven's *Emperor* Concerto before interval had been the young Yevgeny Kissin, perhaps the outstanding pianist of his generation and one already tipped to inherit the mantle of the Russian keyboard giants before him.

His playing had all the stature - power and poetry in equal measure - that suggests, but Levine drained the music of dramatic vigour. This was a well-unbolstered performance in the grand manner one had thought extinct, and would have appealed only to those who hanker after Karajan at his most portentous.

John Allison

Recital/John Allison

Arkhipova and her protégé

Last Thursday was Russian Opera Night in London: while the new production of *Khovanshchina* unfolded at the Coliseum, the great Russian mezzo Irina Arkhipova was holding her Wigmore Hall audience spellbound in a programme devoted mainly to Rimsky-Korsakov songs.

Arkhipova, doyenne of Russian singers, is nearing the end of a performing career that has taken her throughout the world and made her a heroine in her homeland, and Thursday's recital, latest offering in the Kirov-Maryinsky Series, may well turn out to have been her final appearance on the London platform. She was in remarkably good vocal shape: though she of course no longer commands the covet of her prime, every phrase was sung with warmth and dramatic intensity.

Arkhipova's programme was also an imaginative contribution to the 150th anniversary this year of Rimsky-Korsakov's birth. The composer's 80-or-so songs are scandalously undervalued, far more neglected even than those of Tchaikovsky or Rakhmaninov, and they form an equally rich body of literature. Spanning most of Rimsky's career, the songs reflect his stylistic attachments and - like artists' sketches in finished paintings - contain the essence of ideas developed in the operas.

Above all, with texts drawn from writers including Pushkin, Lermontov and Alexis Tolstoy, many of Rimsky's songs are musico-poetic gems.

We heard 17 of them, and Arkhipova's performances made clear their range of expression. With rich tone flowing effortlessly, the mezzo sounded in "Not a sound from the sea" like the heaving of waves of Mother Russia.

Arkhipova traversed a range of feeling, from the melancholia of the "Hebrew Song" and surliness of "Southern Night" to the gentle simplicity of "Quietly evening falls" and bursting happiness of "The lark sings louder". One savoured each equally, yet the exquisite "The clouds begin to scatter" was a highlight of the evening. Ivori Ilya provided

masterfully characterised accompaniments.

The programme's scope was widened to include music by two of Rimsky's colleagues, Mussorgsky and Borodin, and to allow Arkhipova to introduce one of her protégés, the Bashkirian bass Askar Abdrasakov. Together they sang the duet for Maria (one of the mezzo's most celebrated roles) and Dostoy from *Khovanshchina*, before the spotlight was turned on Abdrasakov in his imposing performance of the *Trepak* from *Songs and Dances of Death*, Konchak's aria (Prince Igor) and the Viking Guest's song (Sadko).

All revealed an instrument - dark, full-toned and focused - of astonishing maturity for a singer so young. Abdrasakov is undoubtedly a name to watch, and his presence here was an indication of Arkhipova's generosity and dedication to the future of her art.

The Maryinsky-Kirov Series is supported by the Regent Hotel (London) and British Airways (St Petersburg).

INTERNATIONAL

ARTS

GUIDE

BRUSSELS

GALLERIES

Musée d'Ixelles Tel: (02) 511 90 84

● Gainsborough to Ruskin: British landscape drawings and watercolours from the Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

PARIS

GALLERIES

Louvre Tel: (1) 42 60 39 26

● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 18

Musée d'Orsay Tel: (1) 45 49 11 11

Musée des Trésors from Cairo: ● Forgotten Treasures of Egypt: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Champs Elysées Tel: (1) 47 23 37

21/47 20 08 24

● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev

at 7.30 pm; Dec 1, 2

● La Khovanshchina: opera by Mussorgsky at 7.30 pm; Nov 29, 30; Dec 3, 4

● Sadko: Rimsky-Korsakov opera. Musical director Valery Gergiev at 7.30 pm; Dec 6

BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 41 92 49

● Dialogues des Carmélites: by Poulenc, in three parts. A new production directed by Günter Krämer. Conductor Jiri Kout at 7.30 pm; Nov 29; Dec 1

● The Magic Flute: by Mozart. Conductor Foster/Lang-Leising/Soltész, production by Günter Krämer at 7 pm; Nov 30

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 571 8345

● Bernard Haitink conducts the Royal Concertgebouw Orchestra, with soprano Karen Huffstodt, mezzo-soprano Hanna Schwarz, and baritone Csaba Aliriz to perform Schoenberg and Bartók at 8.15 pm; Dec 1, 2

● Moscow Philharmonic Orchestra: conducted by Vassili Sinalski play Beethoven and Mussorgsky at 8.15 pm; Dec 6

Het Muziektheater Tel: (020) 551 89 22

● Die Fledermaus: by Strauss. Conductor, Ralf Weikert, production by Johannes Schaal at 8 pm; Dec 6

GALLERIES

Rijksmuseum Tel: 020 673 21 21

● Art of Devotion 1300-1500: major winter exhibition focusing on the

spiritual function of objects in the medieval period; to Feb 26 (Not Sun)

LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Gala Concert: London Symphony Orchestra with mezzo-soprano Marilyn Horne and conducted by William Hamish. Includes Hamish's "The Anatomy of Peace" at 7.30 pm; Dec 1

● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Mary perform a variety of operatic pieces at 7.30 pm; Dec 3

Festival Hall Tel: (071) 928 8800

● Philharmonia Orchestra: with conductor Charles Dutoit and pianist Peter Jablonka play Tchaikovsky (piano concerto No. 2) and Shostakovich (symphony No. 5) at 7.30 pm; Dec 6

Queen Elizabeth Hall Tel: (071) 928 8800

● The Fall of Icarus: Multi-media event inspired by Bruegel's, "Landscape with Fall of Icarus". Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2, 3

GALLERIES

Barbican Tel: (071) 638 8891

● A Bitter Truth: a multi-media exploration of changes in attitudes towards World War 1 throughout its duration; to Dec 11

Royal Academy Tel: (071) 439 7438

● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14

OPERA/BALLET

English National Opera

Tel: (071) 632 8300

● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 1

● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Nov 30; Dec 3, 6

● The Magic Flute: by Mozart. Originally produced by Nicolas Hynes, John Abulafia directs this revival with conductor Alex Ingram at 7.30 pm; Nov 29; Dec 2

Royal Opera House Tel: 071 240 1200

● An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with a short festival of his work consisting of 12 ballets and diversissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 30

● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Philippe Auguin. In Italian with English surtitles at 7.30 pm; Nov 29; Dec 2, 5

● Mixed Programme: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in G by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 3 (2 pm)

THEATRE

Barbican Tel: (071) 638 8891

● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; from Nov 29 to Dec 29 (Not Sun)

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Danil Kharms. A Royal National Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 1 (7 pm), 2, 3 (2.15 pm), 5

National, Olivier Tel: (071) 928 2252

● The Devil's Disciple: play by Bernard Shaw, directed by Christopher Morahan. Set and Tunes met at 2.00 pm; to Nov 30 (Not Sun)

Wyndhams Tel: (071) 369 1736

● Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour and Anastasia Hille at 8 pm; (Not Sun)

NEW YORK

GALLERIES

Metropolitan

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)

Museum of Modern Art Tel: (212) 708 9480

● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 2, 6

● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 30; Dec 3

● Madame Butterfly: by Puccini at 8 pm; Dec 1, 5

● Rigoletto: Italian opera by Verdi at 8 pm; Nov 29; Dec 3

New York State Theater Tel: (212) 870 5570

The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 8pm. Fri 8pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)

THEATRE

Gershwin Theatre Tel: (212) 307 4100

● Show Boat: by Harold Prince, choreographed by Susan Stroman. Cast includes John McMartin, Elaine Stritch, Rebecca Luker and Mark Jacoby at 8 pm; (Not Mon)

Promenade Theatre Tel: (212) 239 8200

● Three Tall Women: Edward Albee's Pulitzer Prize winning drama about a 92 year old widow contemplating her life. Sun. 3pm, otherwise at 8 pm; (Not Mon)

WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● National Symphony Orchestra: conducted by Eiji Oue play Mahler and Tchaikovsky at 8.30 pm; Dec 1, 2 (1.30 pm), 3, 6 (7 pm)

GALLERIES

Phillips Collection Tel: (202) 387 2151

● Pictographs of Adolph Gottlieb: exhibition of one of the founding members of the New York School; to Jan 2

OPERA/BALLET

Kennedy Centre Tel: (202) 467 4600

● George Balanchine Series: final of a three part exploration into the work of the choreographer. Led by prima ballerina Suzanne Farrell at 6.30 pm; Dec 1

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THE FT INTERVIEW: Jacques Toubon



"My great desire is not to prevent the French from speaking whatever language they like," says the man whose name, Jacques Toubon, will for ever be attached to the law of August 4 1994, regulating the use of the French language.

"What I want is to make it just as modern, just as - dare I say it? - fashionable to speak French as to speak English."

Had the minister of culture and "francophonie", now known to many of his compatriots as "Jack Allgood", just broken his own law by using an English word while speaking in his official capacity and on public premises? "That would be for the courts to decide, if anyone prosecutes."

The official glossary of French words which Mr Toubon wanted to append to his law was struck out by the Constitutional Council as an infringement of the "free communication of thought and of opinion" proclaimed by the Declaration of the Rights of Man in 1789. This means that "you can still oblige people to speak French, but they can speak whatever French they like - which obviously leaves it to the courts to decide, in the last resort, what is French."

Mr Toubon is a close ally of Mr Jacques Chirac, the Gaullist mayor of Paris, former prime minister and now for the third time presidential candidate. But he insists his language policy is part of a general strategy adopted by the Balladur government, aimed both at developing French culture abroad and at strengthening the links within the French-speaking world, of which the most important is of course the language itself.

Indeed, he claims the loudest demand for action to defend French in France came from other French-speaking countries, which are anxious to join with France "in proposing an alternative to the Anglo-Saxon model of the universe". And he clearly relishes the task of defending this alternative in an interview with the Financial Times, a newspaper seen by many French people as heading the Anglo-Saxon invasion of the continent.

"I'm a strong believer in learning foreign languages," Mr Toubon declares. "What I don't want is a language which would be neither a foreign language nor my own. I want

Mind your language



Toubon: 'I'm a strong believer in learning foreign languages.'

French, English, Russian - but as languages, in the plural. I want the English of Shakespeare, not of Microsoft."

His nightmare is that in 50 years France would have a "tribal" linguistic structure, with executives speaking English, immigrants speaking their own languages, ordinary people speaking "the language of television - 400 words, with every kind of sloppiness", and "in the middle the language of the administration... and perhaps the language of intellectuals and professors."

This, he says, would be "a catastrophe: it would mean that our society, already torn apart by so many other things, would not only tear itself apart but the fragments would be incapable of understanding each other."

Mr Toubon brushes aside the argument that language cannot be decided by law. In France, he says, "the state has always had its word to say", ever since the 17th century when Richelieu instituted the French Academy.

It was in this spirit that he fought his successful battle last year to keep cultural products, especially film and television, outside the purview of the General Agreement on

Trade and Tariffs, preserving France's right to subsidise its film industry and to reserve a part of its air time for European products. In the same spirit he is now engaged in another battle, aimed at ensuring the European Union as a whole takes advantage of this "cultural exception" and acts to preserve the diversity of European culture.

Largely thanks to French pressure Mr Joao de Deus Pinheiro, EU commissioner for culture, is now bringing forward plans to tighten European broadcasting quotas and to ban advertising on new electronic information services.

Mr Toubon accepts that some countries, such as Britain, will choose not to implement the 1989 "television without frontiers" directive, which says that a majority of TV programmes shown in Europe should be European-made. But, he insists, countries such as France must be able to apply it to all TV signals they receive, as well as those which they produce.

Otherwise, he says, someone like Mr Ted Turner, the US media magnate, can broadcast

from UK territory by satellite "into Europe, including those countries which apply the TWF directive, whatever programmes he likes, including 100 per cent American cartoons". France has banned Mr Turner's products from its cable network, but the legal status of this decision is unclear.

Mr Toubon wants the EU to ban such unauthorised cross-frontier broadcasts, and also to extend the directive to cover "new information techniques, namely those which are generally called multimedia". He also wants to expand the EU media programme to give increased EU and national aid to the production, and especially the distribution, of European films "and, by extension, to the films of countries linked to Europe, for instance the southern film industries in Africa, Mexico, Brazil, etc."

His object, he explains, is "to maintain the diversity of film production in the world". He rejects the suggestion that "all you need to do is make films that people actually want to see", arguing it is up to states, and by extension the EU, to ensure that people can still enjoy a real choice of films and television programmes rather than being limited to ones which reflect "the same model, the same state of mind, the same aesthetic".

In this spirit he wants to negotiate a convention with other governments to make the mutual recognition of high school diplomas conditional on their inclusion of a compulsory second foreign language, alongside the inevitable English. Obviously he hopes that in many non-French-speaking countries French would be the most popular choice, but he suggests that Spanish and German also have much to gain.

Mr Toubon hopes to enlist the support of the German presidency for these ideas during the Franco-German summit in Bonn today and tomorrow, which he will attend. After that he plans to use the French presidency to push them forward early next year, leaving his fellow-Latin from Spain and Italy to finish the job. He knows he has a fight on his hands with the UK government, but claims to have heard that even British delegates in Brussels are now adopting "more conciliatory" positions.

Edward Mortimer and David Buchan

Joe Rogaly
Life raft for parties

A referendum on Britain's continued membership of the European Union will be promised by all three national political parties at the next general election. Sure it will. Their respective leaders might deny any such intention, for the "in or out" question has not been tabled by any of them, not in so many words. It need not be. Circumstances will decide that. The Maastricht treaty allowed specific opt-outs for Britain (and indeed Denmark), but there is no guarantee that such jiggery-pokery will be possible when - if - there is a Maastricht II. If the rest of the EU moves towards further integration and Britain stands back, that will be as good as an "out" vote. It would certainly be seen as such during the campaign.

Support for a plebiscite based on an overtly more innocuous question than "stay or go" is accumulating. The latest platform to arrive was heralded in an interview with Sir James Goldsmith on BBC Breakfast with Frost on Sunday. Sir James offered to fund a new British political party "the purpose of which is only one item, to have a referendum". Our European Perotista need have no fear. He will not be called upon to lavish millions on a lost cause, as was Mr Ross Perot in the 1992 US presidential election. He should not go to the trouble of writing a cheque to a 30-day wonder party that does not yet exist. He may not be a serious political figure, but he will have his referendum, gratis.

We can count the reasons on three fingers. The Liberal Democrats have promised to consult the people if the intergovernmental conference of 1996 agrees on significant changes to the constitution of the EU.

Such a move would, at a stroke, harmonise the legal framework in these respects across the EU. Just as important, it would create an opportunity for developing countries to be judged by the same rules, if they so chose.

It would therefore represent a significant step towards tackling, in a positive way, one of the greatest blights on business of contemporary times. Peter Eigen, chairman, Transparency International, Hardenbergplatz 2, D-10523 Berlin, Germany

The Labour party has formally left the matter open, but its leader has placed himself in a position to promise a popular vote in much the same circumstances. This would not be expediency, you understand. It would be an expression of democracy, a means of educating the British about where their government is taking them. Meanwhile the Conservatives have moved from the rejection of extra-parliamentary decision-making towards Mr Douglas Hurd's expedient "never say never" of recent days.

Goodness me. What tricks the mind does play. Two long years ago, during the tense summer when the passage of the bill to ratify the Maastricht treaty seemed to be in question, the proposition was put, here as elsewhere, that a promise of a referendum on melding sterling into a single European currency would not only be constitutionally correct, it might even reunite the Conservatives. Did I see the foreign secretary slipping that card up his sleeve, mulling the while that he would vote its usefulness? Surely not. It must be my fevered imagination.

Let us move away from such phantasmagoria. It has been objected that a vote on the single currency would destabilise the currency markets for the duration of the campaign. The value of the pound would fluctuate. Titch. Sterling moves every which way, every day. Contemporary markets are destabilised by everything and anything. They were pretty jumpy over the "join or not" question recently posed in Fin-

land, Austria, Sweden and, on Sunday and Monday, Norway. The planet survived.

Without such a popular vote the British polity might not survive - not if our Parliament, from which we feel ever more remote, took us into a single European currency before first asking our permission. As matters stand, the EU is a club in which its members, all sovereign states, sit in constant negotiating session. It has the characteristics of a Gaullist union of nations rather than those of a sapling superstate. Create a single currency and the balance tips sharply the other way. That would be a constitutional leap in the dark for everyone. It is not only the British people who would demand a referendum first.

The trouble with "do you want to defend the pound?" is that most people's emotional response would be that they do. Believe me, Britain will eventually join a European currency, if there is one. Business will see to that. But it might be necessary to hold two referendums about it, the first to say no, the second, yes. Like the business community, the mainstream political establishment knows it can more easily win the overarching "stay or go" type of question, as it has everywhere in western Europe nearly every time it has been put. When the Dames made the mistake of voting no, they were asked again. This type of question is the "rubber life raft into which we may all have to climb", as the then Mr James Callaghan remarked when what became the British plebiscite of 1975 was first discussed.

Use of this life-saving dinghy is increasing everywhere, we are informed by *Referendums around the world*, an invaluable reference work published by Macmillan and edited by David Butler and Austin Ranney. Referendums facilitated the overthrow of autocratic regimes in Chile and South Africa. In New Zealand, Ireland and Italy, the voters chose electoral systems that the political leaders of the time asked them to reject. In the US, statewide vote initiatives are becoming as commonplace as national referendums have long been in Switzerland. For the most part, electorates are pretty conservative. They tend to go with the established consensus, usually by a decisive majority. That is why Britain voted two to one for membership of the then Common Market in 1975.

Whatever type of question is chosen, a referendum on Europe in 1996 might split the Conservative party. Well, yes, in a way, sort of. You cannot properly divide what is already in smithereens. True, a promise of a popular consultation might not heal the wounds evident in yesterday's debate on Britain's contribution to the EU budget. Mr Kenneth Clarke, the chancellor, modestly stamped the sceptres behind him, leaving none unturned. But we are talking of a mere handful of Tory litter-enders here. Surely most of the party would come together on a promise to consult the people. As in 1975, cabinet solidarity might have to be suspended so that ministers could campaign on opposite sides. So what? They do that, covertly, now.

In sum, a properly managed referendum is a useful, if risky, last-ditch device for getting parties out of trouble and persuading us to vote the way the elite of the day thinks best. My case rests.

It might be necessary to hold two referendums about a single European currency, the first to say no, the second, yes

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Bribery law change in EU would remove blight on business

From Mr Peter Eigen.

Sir, Andrew Taylor writes of the European Commission's raft of court actions to outlaw unfair practices in the awarding of public sector contracts within the European Union ("Brussels gets tough on public contracts", November 23).

Admirable though these moves are they overlook one particular anomaly: it is against the law if you bribe an official in your own country, but not if you do it in your next-door-neighbour's. And you may or may not get a tax break for the bribe you pay to an official in your own country, but you probably will do so if you pay it to an official in another. Ethics apart, this must surely be a wholly unacceptable state of affairs.

The EU would do well to implement the OECD recommendations of May 1994 and criminalise foreign corrupt payments and tax deductibility

for illicit payments, at least as between the member countries of the Union.

Then, companies across Europe could compete with each other on equal terms, and without those who bid on their home turf having to comply with norms from which others are exempted.

Such a move would, at a stroke, harmonise the legal framework in these respects across the EU. Just as important, it would create an opportunity for developing countries to be judged by the same rules, if they so chose.

It would therefore represent a significant step towards tackling, in a positive way, one of the greatest blights on business of contemporary times. Peter Eigen, chairman, Transparency International, Hardenbergplatz 2, D-10523 Berlin, Germany

BT free to choose on fibre

From Mr Ian Wheeler.

Sir, Regarding BT's exclusion from entertainment services and the superhighway, I have yet to read such an ill-informed debate as has regurgitated over this particular technology in your pages and elsewhere.

Fibre cables are cheap, passive and they deliver unlimited "band width" - the measure of capacity for signals. The cost and speed of laying a fibre network is dominated not by the electronics connected at either end, nor the fibre itself, but by the construction of the underground ducting in which they lie.

An entirely new network of ducts is being installed in the UK by the new "local delivery" franchisees. These ducts bring a fibre to within 600m of every residential home. Nowhere else in the world, to my knowledge, are fibre networks being created at this proximity to the customer, even in the birth-

place of the "superhighway", the US.

BT does not have to dig. It inherited its ducts free of charge. BT does not need a law or permission to install fibre into its ducts. BT has the free choice to bring fibre to within 600m of each home and whether to connect its new fibres to you or me.

As an aside, BT is the local delivery franchisee for the City of Westminster. It operates a fibre-based entertainment network in this franchise fibres were laid in existing BT ducts several years ago.

Strangely, in the City of Westminster residential customers have a single source of telephone line connection, guess who? Well, it owns the ducts, doesn't it?

Ian Wheeler, consultant engineer, 28 West Drive, Ferring, West Sussex BN12 5QY

Universal private pension plan has powerful support

From Frank Field MP.

Sir, You report ("Pensions body wants saving to be compulsory", November 18) the support the National Association of Pension Funds has given to a reform which Matthew Owen and I proposed 18 months ago (*Private Pensions for All*, Fabian Society). The initial reaction to the idea of instituting universal private pension provision was met by two substantial criticisms.

Those politicians who ideologically opposed the idea never answered the question we posed. Large numbers of people are in private schemes. How then can we equalise opportunities? The only sensible way forward is to have universal private provision, and the only way to do this is through a compulsory scheme. We are pleased that this approach has been backed by the Social Justice Commission.

Some members of the National Association of Pension Funds made practical criticisms. Our 10 per cent combined contribution was too low for adequate pensions. We therefore proposed that employers and employees should contribute 18 per cent of the salary bill. Now the NAPP has backed our original figure. Why?

To what extent is the NAPP's decision a soft-sell approach to employers, or a belief that a voluntary top-up would naturally occur? What range of pensions would be produced from these savings running alongside the state scheme?

Barry Riley highlights

("Waking up to the pension scheme threats", November 23) concern about the underfunding of pension schemes. We have tried to cover this point too. Taking Joel Joffe's idea for a new savings scheme, we suggested it should be made universal by establishing a National Pensions Saving Scheme. This would be separate from the state, would form new kind of collective action, and would allow savers to own their own savings.

Our suggested reform could not lead to underfunding as in final salary schemes. In addition, mobile employees would gain a level playing field, knowing in advance the minimum pension contributions they would be expected to make and would not, as many of them now do, enter detailed negotiations to see whether the pension scheme of the company they hoped to join might produce pension benefits equal to their current scheme.

Support for the idea of universal private pension provision to run alongside the state scheme, and to make contributions to both schemes compulsory, has won powerful allies over the past year. But the debate is not an academic exercise. I hope that before the next year is out your columns will be reporting that both Labour and the Liberal Democrats are backing this proposal. Voters will then have a clear choice on reforming one of the big areas of welfare reform at the next election.

Frank Field, House of Commons, London SW1A 0AA.

Who's really in charge?

From Dr J H Mulvey.

Sir, According to Robert Peston ("Treasury drops dividends probe after pressure", November 24), quoting a "senior government official", the Treasury's inquiry initiated by financial secretary Stephen Dorrell last year into whether high dividend payments were responsible for inadequate investment has been abandoned. The government official

revealed that "it became too much of a hot potato after Lord Hanson attacked the review".

Can we be told who is the real First Lord of the Treasury, John Major or Lord Hanson?

J H Mulvey, executive secretary, The Space British Science Society, Box 241, Oxford OX1 3QQ

UK arms exports at odds with 'good governance' objectives

From Mr Tony German.

Sir, The debate about entanglement between arms and aid has to date missed an important point.

Some policy makers and opinion formers seem to be assuming that, as long as there are no more explicit links between aid and arms exports, government policy is quite coherent. But last year, along

with other OECD donors, Britain approved a set of policy orientations which, inter alia, urged donors to examine contradictions between their aid and development co-operation objectives and other external policies, "including the promotion of exports of arms".

The UK has been in the forefront of promoting "good governance", urging developing

countries to reduce military expenditure. What steps has the government taken to scale down Britain's role as a leading arms exporter, in a way that will minimise the negative impact on exports and jobs?

The foreign secretary's assurances that arms and aid have not been linked during his term of office is welcome. The next step should be for the

government to make clear how, both domestically and multilaterally, it plans to address the gulf between the "good governance" aspect of foreign policy and Britain's continued promotion of arms in developing countries.

Tony German, Old Westbrook Farm, Evercrush, Somerset BA4 6DS

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FINANCIAL TIMES

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Tuesday November 29 1994

Save the alliance

The international community could not save Yugoslavia, and it has failed to save Bosnia. That failure has hovered like an evil fairy over the cradle of the European Union. Along with the parallel failure in Somalia, it has blighted efforts to make a revived United Nations the centre of a new world order. And it now seems to threaten a death blow to the ageing Atlantic alliance.

It is too late to save Bosnia as an effective country in its original frontiers. But NATO might still be saved - though it is desperately vulnerable - and it is worth saving.

NATO is vulnerable because, with the demise of the Soviet threat, it has come to be seen as a luxury rather than a necessity by many people on both sides of the ocean. That may not be such a bad thing if it leads Europeans to take NATO less for granted than they did in the past, and so to think more seriously about what they themselves can and should do to ensure their own security. But it would be no less criminally irresponsible for Europeans to imagine that they can easily do that without any assistance or co-operation from the US, than it is for them to assume that such assistance will always and inevitably be forthcoming.

That is why the alliance is worth saving, even at the cost of some national pride and self-righteousness. No major power, after all, has any right to feel proud or self-righteous about the situation in Bosnia. Britain and France are much given to reminding the world that they, unlike the US, have troops on the ground. But the events of the last week have cruelly demonstrated, once again, that those troops are deployed not as an instrument of policy but as a substitute for one.

Sorry mix

The US is equally prone to accuse the Europeans of betraying the Bosnian government and appeasing the Serbs. But it has never shown convincingly that it was able or willing to help the Bosnian government address the imbalance of forces on the ground. US policy, like European policy, has been a sorry mix of indecision, rhetoric and gesture.

Senator Robert Dole, to whose words the mid-term elections have

given an authority equal to, if not greater than, that of President Clinton himself, has now called for the withdrawal of the UN protection force (Unprofor), arguing that its presence serves merely as a pretext for Britain and France to oppose any effective NATO intervention from the air. Those powers, and other troop contributors, will be sorely tempted to take him at his word.

Undeserved blame

The troops, whose mandate contains almost as many contradictions as it does Security Council resolutions, are getting a great deal of undeserved blame for not carrying out a task for which they are not equipped, namely holding back the Serb offensives and counter-offensives. They are certainly not saving Bosnia. They are saving an unknown number of individual Bosnian lives, but possibly at the cost of others if you believe (as many do) that their presence prolongs the war.

It is never the right time to pull the troops out. Their departure could easily provoke a resumption of fighting throughout Bosnia and even beyond - though there is no guarantee that this will not happen anyway. It may also be violently opposed by one or more parties to the conflict. And it could easily be accompanied by even more bitter mutual accusations across the Atlantic than we have already heard. Those are all strong arguments against withdrawal now - except that the difficulties are likely to get greater rather than less if more time is left to elapse.

Only the risk of jeopardising a real hope of peace would be a convincing argument for keeping Unprofor in place. And the only ground on which such hope can now be based is the acceptance of the Contact Group partition plan by both the Bosnian and Serbian governments, and the pressure exerted by Serbia on the Bosnian Serbs to do likewise. If this pressure is not seen to bear fruit within days, or at most weeks, the Serbs and their Russian protectors must understand that removing Unprofor and lifting the arms embargo will become unavoidable for the west irrespective of its effect on Bosnia, because it will be the only way to save the Atlantic alliance.

All change in Whitehall

Although often disparaged at home for its unimpaired elitism, Britain's civil service used to be the envy of the democratic world. It now faces an uncertain future, and could be seriously weakened if the government fails to tackle problems created by a decade of rapid structural and cultural change in Whitehall.

In a report published last week, the all-party Treasury and Civil Service committee of the House of Commons questioned the adequacy of existing mechanisms for upholding the ethical standards of the civil service. The committee recommended a statutory code of ethics setting out the duties of civil servants and the responsibilities of ministers.

It also called for a reformed Civil Service Commission with members drawn largely from outside Whitehall; and for reforms in the relationship between parliament and the semi-autonomous "next steps" agencies which over the past five years have taken over most of Whitehall's service-delivery responsibilities. These proposals are timely and should be implemented. The committee cited Gladstone's dictum that the British constitution "presumes more boldly than any other the good faith of those who work it". Recent events, notably the admission by civil servants to the "arms for Iraq" inquiry that they drafted inaccurate replies for ministers, have brought that good faith into question, and support the case for a code of ethics.

The case is made well-known imperative by the impact of 15 years of one-party rule. When parties alternate regularly in power, permanent officials have a strong incentive not to mistake party convenience for the national interest. They are under far less pressure to separate the two when serving one set of political masters for a protracted period.

Ministerial accountability

The doctrine of ministerial accountability also needs to be redefined to reflect new realities. It is nonsense to pretend that ministers can be properly accountable to parliament for the work of executive agencies for which they have no operational responsibility. The committee notes, the government's attempt to draw a dis-

junction between accountability, which cannot be delegated by ministers, and responsibility, which can, is "unconvincing".

Chief executives of agencies should be directly and personally accountable to select committees of the Commons for the implementation of their annual performance agreements. It might be advisable to go further still and give select committees a role in the appointment of agency chief executives and other senior members of agencies. Such a step could underpin the political impartiality of senior officials in agencies and quangos, and do something to redress the unhealthy domination of government over parliament which is a prime cause of much existing unease.

Contradictory signals

However, current Whitehall reforms beg two larger issues. Is the government committed to the continuation of the career civil service? If not, how does it intend to ensure that the senior civil service is schooled in the standards and ethics which today's officials mostly accept from long training?

Ministers are sending out contradictory signals in response to the first question. On the one hand, they pay lip service to open competition for top jobs, and are pressing forward with "market testing" and cuts in the number of senior officials; on the other hand, they appear reluctant to advertise many top jobs outside Whitehall, let alone to adopt the New Zealand practice of short-term contracts for senior officials inside mainstream departments. Ministers must make their intentions clear. The official-for-life mentality of most civil servants has hitherto provided a critical underpinning for the ethics and political neutrality of Whitehall. It has also limited - although not banished - the "revolving door" problem of officials anxiously seeking outside jobs.

If Whitehall is, by contrast, to provide short career steps for an elite of high-flyers who commute between the public and private sectors, then far more attention will have to be paid to questions of recruitment, pay and conflicts of interest. A statutory code of ethics would only be a first step towards reform.

Nobody ever said selling off Italy's sprawling public sector would be easy, and in the past eight months a change of government, political infighting, and stock market fragility have complicated the task.

However, it will be a bitter irony if the latest and most serious government crisis derails the programme, because in the last two months the momentum of the sell-off has picked up again.

In late September, Mr Silvio Berlusconi, Italy's prime minister, badgered by institutional investors for a firm signal on privatisation, outlined a revised timetable.

The government has since finally found a buyer for the last morsels of SME, the state-owned foods, supermarket and catering group, which has taken nearly two years to dismember and sell. It has also appointed an international adviser for the sale of further shares in Stet, the telecommunications holding company. A committee of the upper house of the Italian parliament last week agreed a framework for independent regulation of privatised Italian utilities. Most importantly, ministers have proposed a two-stage privatisation of Enel, one of the world's biggest electricity companies, from mid-1995.

A simultaneous effort by the government to stimulate demand for shares, by encouraging the establishment of investment funds and pension funds, is raising hopes that the state-sector culture in Italy is changing. "Demand for real shares" will come from Italian mutual funds not from small savers, says Mr Ciammaro Roveraro, managing director of Akros Finanziaria, a growing financial services group.

One reason for the hiatus in the privatisation programme was the inexperience of the new government. Of the Treasury, Budget and Industry ministers, who are directly responsible for detail of privatisation, only Mr Lamberto Dini, the Treasury minister, was at all familiar with the procedure of committee, cabinet and parliamentary approval. It was he who signed the documents permitting the June privatisation of Ina, the Treasury-owned insurer, the only public offer of state-held shares under the Berlusconi government to date.

The delay was not particularly worrying. Mr Berlusconi's predecessor, Mr Carlo Azeglio Ciampi, was also criticised for failing to implement the July 1992 privatisation decree quickly - until late last year, when he initiated a flurry of share offers in state-controlled banks. Moreover, new ministers had the crucial 1995 budget to worry about, and, as one analyst puts it, "it's better that the big privatisations should be done well, than that they

All for a share in democracy

Political uncertainty in Italy is not expected to halt the country's privatisation programme, says Andrew Hill

Italy's privatisation: revised, again



Lamberto Dini, treasury minister

Public offers	Date	State sold	Amount raised (Lira bn)
Credito Italiano			
Banking	December 1993	67%	1,900
IMI			
Banking	January 1994	33%	2,400
Banca Commerciale Italiana			
Banking	February 1994	54%	2,800
Ina			
Insurance	June 1994	47%	4,500
Enel			
Electricity	1995	-	-
Stet			
Telecommunications	1995	-	-
Eni			
Energy/chemicals	1995?	-	-

Source: Companies

should be done in a hurry". What unsettled the markets and the managers of state-controlled companies was the way some in the new government put a party political spin on the debate when it came into office in May.

This was partly because new ministers and members of parliament wanted to stamp their mark on privatisation policy, but also because of clear divisions within the coalition. For example, the populist Northern League wanted to see the rapid break-up and sale of state companies, encouraging competition that would benefit private industry and finance in the north of the country. The far-right MSI/National Alliance resisted the rapid break-up of state monopolies, partly, opponents claimed, in order to install its own supporters in board or senior management positions prior to privatisation.

These factions staked out positions at every level of policy, from the debate on regulation or shareholder structure to the choice of banks to co-ordinate the sales. Top managers in state industry

now say they are being left to get on with preparing for privatisation, and advocates of a controlled and politically neutral reduction of the state's presence seem happy again. "At the beginning and in the first months [of this government] there was strong pressure to go back to the old system," says one manager. "All of a sudden, that pressure has faded out."

That may be a sign that disruptive elements in the new government are settling in, or possibly that they are too distracted by crises to worry about shaping privatisation policy to their own ends.

The Treasury and managers of the state-owned companies do not believe current political turmoil will halt the programme. No mainstream party actively opposes privatisation. At issue has been its timing and form. And both the government and IMI, the state holding company that controls Stet, need the proceeds to reduce debt.

But the replacement of key ministers, a change of coalition, or even a general election, could seriously delay the tough timetable set by the current administration. And even if

the existing coalition survives, the task is not easy.

For example, although ministers' agreement on a plan for the sale of Enel was hailed as progress, the proposed structure of the group reflects an uneasy compromise between feuding coalition members: the Northern League wanted to break up the company and allow tariffs to vary across the country; and the National Alliance, with the support of Enel management and trade unions, backed an integrated group and single-tariff structure.

Under the government plan, there will be a single tariff. But before launching a first tranche of Enel shares around the middle of next year, the generating activities (accounting for 80 per cent of electricity produced in Italy) will have been hived off into one or more wholly-owned subsidiaries, in preparation for the sale of production capacity within three years.

This formula risks displeasing all. Enel unions staged a one-day strike last week and opponents could delay parliamentary approval of a single authority to regulate the sector, setting back the timetable.

Furthermore, Enel's estimated market capitalisation of L20,000bn-L30,000bn (£11.8bn) would make it one of the largest companies on the Milan stock market, which could mean small investors find it difficult to digest. The other candidates for privatisation next year - Stet, the telecoms holding company, and the Agip/Snam energy activities of the state holding company, Eni - are almost as big. The government also wants to complete privatisation of IMI, the financial services and banking group, and Ina.

The sale of shares in state-controlled banks in late 1993 and early this year went well, but they were already quoted and the market was buoyant. The sale of nearly 60 per cent of Ina, owned by the Treasury, was received less enthusiastically, and post-sale trading was sluggish.

A solution would be to sell thinner slices of Stet and Enel, possibly only 10 per cent. But that would prolong uncertainty for their managements - a particular concern at Stet and Telecom Italia, its operating arm, as they need to give firm guarantees on future ownership to attract international partners.

The second problem with partial privatisation is that it could put a brake on the cultural change that the sell-off was supposed to stimulate. Already the pioneers of shareholder democracy in Italy - small investor associations, employee shareholder groups and their advisers, for example - allege the government has not done its best to release former state companies into the free market.

In the case of Ina, for example, they claim the insurance company's board is still under the control of the Treasury, which appointed 10 of Ina's 13 directors, after privatisation. They also claim that Mediobanca, the Milan merchant bank, has extended its influence over the former state-controlled banks, Banca Commerciale Italiana, and Credito Italiano, to the detriment of small investors.

The Treasury believes it can show its willingness to relinquish control by removing its direct representatives from the boards of former state companies, even partially privatised ones, as it has done at Ina.

But that is unlikely to satisfy the most zealous privatisers. For them, only a convincing attempt to diffuse ownership of Italy's largest companies will do. As one Italian investment banker puts it: "Up to now, Italian industry has been managed by the Agnelli, De Benedettis, and Ferruzzi, and at the end of the day by Mediobanca - plus the state. If you don't have more players, you don't have a shareholder democracy, and that should be the main macroeconomic goal of the privatisation programme."

Bruce Clark argues that the UK could learn from French diplomacy over Bosnia

Diplomatic baggage

Events in Bosnia have brought home how much Britain has to learn from France about foreign policy presentation.

The two countries have almost identical attitudes to the conflict, driven by an almost identical mixture of considerations.

Both countries want to stop the war spreading; to wean the Serbs off chauvinism and reintegrate them into the European mainstream; to avoid looking bad in the eyes of an Islamic world concerned about the fate of the Bosnian Muslims; and to avert a humanitarian catastrophe.

Unlike the US, both London and Paris are more concerned with containing the war than with "punishing the guilty" or imposing a fairer partition.

Both would agree that the status quo in Bosnia gives a disproportionate advantage to the Serbs, but neither believes that imposing justice is worth the tens of thousands of lives - and the breakdown of relations with Russia - that full-blown war against the Serbs could cost.

From an identical mixture of considerations, an almost identical mixture of policies has flowed: the

maintenance, as long as possible, of a small peacekeeping force in Bosnia that eases suffering and frustrates - both directly and indirectly - the outbreak of full-scale war; the exercise, by economic and diplomatic but not military means, of pressure on the parties to compromise.

Why, in that case, has Britain become the object of loathing among Bosnian officials and pro-Bosnian UN politicians, while France is growing in diplomatic prowess?

Asking this question is not just an exercise in petty cross-channel bickering. At stake is Britain's long-term diplomatic credibility - its much-vaunted ability to "punch above its weight" in international affairs.

The mayor of Bihać, the Bosnian town besieged by Serbs, refuses to speak to British reporters. Senator Robert Dole, the new majority leader in the US senate, blames "the British and the French, particularly the British" for the situation in the Bihać enclave.

General Sir Michael Rose, the British commander of UN forces in Bosnia, is a hate-figure for the Bosnian government, while his French boss General Bertrand de Lapresle - whose thinking is virtually identical - is not.

How have the French done it? The answer, put simply, is that they are far better than Anglo-Saxons at holding two almost irreconcilable positions at once, and also at striking rhetorical poses that bear little relation to reality.

Britain and France have made precisely the same analysis of the situation in Bihać.

As both countries see it, it would be a bad turn of events if the Serbs were to overrun the Bihać enclave. The fact that they may now do so is seen as an undesirable consequence of an ill-judged Bosnian government offensive.

But the consequences of yielding to UN demands for an all-out air attack on Serb positions around Bihać are judged even more undesirable in both London and Paris: it was felt there would be too high a

chance of hitting the wrong people.

So far, so much Anglo-French consensus. But when it comes to policy presentation, the differences between Gallic flair and Anglo-Saxon plodding start to show. France staked out the moral high ground by proclaiming: "Bihać must not be allowed to fall." Britain was true to its plodding empirical self by making the undeniably accurate, but gloomy - observation that Bihać might fall.

If Bihać does now fall, the world will say that it was not for lack of French trying; if that outcome is somehow prevented, Paris will claim a share of the glory.

As for the French penchant for holding two contrasting positions at once, it is demonstrated by Paris's ability to sound both more pro-Serb and pro-Muslim than London.

In September, while British officials were sternly stressing the absolute unchangeability of the existing peace plan for Bosnia, France floated the idea that the Bosnian Serb zone should have control of relations with Serbia. That

idea - heresy at the time - has been resurrected this week.

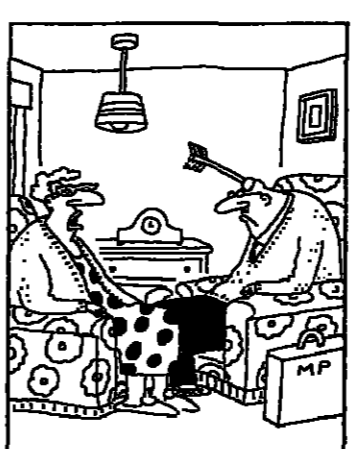
France has balanced the effect of these pro-Serb statements by making high-sounding commitments to the security of Bosnia's Muslim enclaves, which are music to the ears of Senator Dole.

Mr Alain Juppé, French foreign minister, makes weighty pronouncements such as: "Europe cannot enjoy stability and peace in a context of confrontation with Islam... What is at stake in Sarajevo is the possibility of an open and tolerant Islam."

With the great sweep of French strategic thinking, he "rejects the inevitability" of division in Europe between the Catholic, Orthodox and Muslim worlds. "France's historical mission, from Richelieu to General de Gaulle, is to reject barriers erected in the heart of the continent," he has proclaimed.

A British minister who said something like that would be lampooned in satirical magazines. But to judge by the success that France's lofty rhetoric seems to enjoy, London ought to be sending its brighter young diplomats off to the *grandes écoles* for a refresher course on Descartes and Voltaire.

OBSERVER



for the fourth quarter of 1994, when the equivalent figure for the 12 months to October this year was actually a mere 2 per cent.

Meanwhile, Observer's own forecast is that the wise men will, wisely, be increasingly called upon to deliver their wisdom in the form of policy prescriptions rather than hard numbers. Much wiser.

Unsound bite

This is the tale that stops the dog wagging. As Observer reported last week, Beijing's city fathers are trying to bring in draconian laws to curb dog-ownership.

But the dogs only have themselves to blame: last year in Beijing alone 52,000 people were bitten. Now The Workers' Daily has reported that in the past six years some 60,000 people have died of rabies throughout China.

This suggests a dog-bites-humans problem on a fairly big scale, but then numbers in China are always mind-boggling. It seems there are more than 100m dogs in China, of which a mere 10m are pets, and the remainder are used to be eaten. No wonder they want to get their retaliation in first.

Never say neigh

Bad news for John Major - facing a possible challenge for the Conservative party leadership tomorrow if disgruntled backbenchers can rustle up signatures from 34 of their colleagues. Sir Anthony Meyer, the indomitable "stalking horse" who challenged Margaret Thatcher in 1990, was spotted celebrating Albanian national day at a swish London hotel yesterday. Questioned on whether he felt up to another tilt, Sir Anthony seemed very keen.

Plagued

Already near the top of the list of those whom everyone loves to hate, Britain's fundholding family doctors and their managers can be forgiven for feeling even more

unloved after their annual get-together at Stratford-upon-Avon last week.

No politician would come near them. David Blunkett, who had originally been scheduled to deliver the keynote speech, was moved to education in October's shadow cabinet reshuffle, and Margaret Beckett, who took up the health baton, was otherwise engaged. No substitute could be found to detail the party's implacable opposition to the concept of fundholding.

And what of the Conservatives? They too were unable to find a substitute for the originally advertised Clive Froggatt, a Cheltenham GP and early proponent of giving doctors their own budgets. He has other things on his mind nowadays, such as talking to the local constabulary about alleged drugs offences.

Blacked

British Coal may be out of business by Christmas Eve but it still seems to have a few scores to settle. Gerard McCloskey, the editor of several Financial Times newsletters on coal, currently engaged in some acrimonious exchanges with RJB Mining, also seems to have upset Neil Clarke, British Coal's outgoing chairman. McCloskey has been dropped from the guest list for British Coal's last Christmas lunch for journalists. Come on lads, isn't it time to bury the hatchet?

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Israel condemns move as premature without a peace treaty EU lifts Syrian arms embargo

By David Gardner and Emma Tucker in Brussels

The European Union is lifting its eight-year embargo on sales of arms to Syria.

The decision, announced by EU foreign ministers when they met a Syrian government delegation in Brussels last night, was immediately condemned by Mr Shimon Peres, Israel's foreign minister.

Mr Peres, also in Brussels, said the embargo should be abandoned only if Syria was willing to negotiate peace with Israel.

"Before the Syrians move, why lift... the embargo? Let them move and maybe then there won't be a need for an arms embargo," Mr Peres said. The ban was imposed in 1986 after

allegations of Syrian involvement in a thwarted attempt to smuggle explosives on to an El Al airliner.

Other sanctions, such as bans on low-level diplomatic meetings, were gradually lifted between 1987 and 1990, when Syria sided with the West in the Gulf war.

Mr Peres and Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, made some progress yesterday towards resolving differences over the Palestinian peace process.

The two visiting Brussels on the eve of an international donor conference intended to speed up aid flows to the Palestinian authority in Gaza and Jericho, emphasised that recent violence in the Middle East would not be

allowed to destroy progress made so far.

"We will make this peace process a success," Mr Peres said. "We will not stop on route."

Neither side was particularly forthcoming on the issues dividing them, including Israeli delays in withdrawing from the West Bank and its action in sealing off Israel to Palestinian workers resident in Gaza, or the delays in holding elections in the Palestinian territories.

Referring to the recent bloody clashes between Islamic fundamentalists on one side and Palestinian police and his own Fatah faction, Mr Arafat said: "I insist on very rapid elections to see who has the support of the people - Hamas or Fatah?" He con-

tinued: "In my opinion the Israelis understand our need for a quick election, but at the same time we have to understand their necessity for security, which is one of their main items."

Mr Arafat said that the most important thing for the Palestinians was that all donors should keep their promises, pointing out that they had so far only received a fraction of the total that had been promised.

EU foreign ministers were last night meeting Mr Farouk al-Shara'a, the Syrian foreign minister, as part of their effort to expedite and widen the Middle East peace process.

There were no signs last night of any direct contact between Mr Peres and Mr al-Shara'a.

Norway seen to vote 'no' in EU poll

Continued from Page 1

persuade the nation that, after the Cold War, Norway must play a full part in Europe's political and economic mainstream.

Although she has staked much of her government's reputation on winning a Yes vote, Mrs Brundtland has said she will not resign if the vote goes against membership.

The Labour government is in a minority in parliament. But the opposition is splintered, with no other party in a position to form a government, and recent opinion polls have shown support for Mrs Brundtland.

The government faces a problem in the event of a narrow Yes victory. The opposition Centre party and Socialist Left party, the leaders of the No campaign, have threatened to block ratification of EU entry in parliament unless a large majority is in favour throughout the country.

Mrs Brundtland suggested she will dissolve parliament and call new elections if that happened.

Spain hit by air chaos as Iberia plan sparks strike

By Tom Burns in Madrid

Airline management and unions were locked in crisis talks last night in an attempt to prevent Iberia, Spain's national carrier, sliding into bankruptcy. Strikes in all domestic airports in protest at proposed cost-cutting measures brought air traffic in Spain to a virtual halt, leaving tens of thousands of passengers stranded.

The airport chaos highlights a bitter confrontation over Iberia's plans to slash costs. The dispute threatens to disrupt the government of Mr Felipe Gonzalez and strain Spain's relations with the European Commission.

Iberia is struggling under the financial burden of an ambitious expansion into Latin America, where it has bought substantial shareholdings in three local carriers, including Aerolineas Argentinas. Iberia has Pta150bn (\$1.2bn) of accumulated losses and says it faces bankruptcy early next year unless it pares costs and receives fresh state aid

of some Pta130bn. However, any capital injection by the government requires authorisation from the European Union. In 1992, Iberia was allowed a subsidy of Pta120bn on condition it did not apply for more aid until 1996.

Last night's talks were dealt an early blow when representatives of the pilots union walked out. The pilots fear they will bear the brunt of Iberia's planned salary and job cuts and are seeking the removal of its chairman, Mr Javier Salas, as a condition of any agreement.

Mr Salas said failure to agree a 15 per cent pay cut would mean the immediate sacking of 5,000 employees - 20 per cent of Iberia's workforce - and the break-up of the airline.

"This meeting represents the last chance to maintain Iberia in its present form," he said.

The unions, representing cabin crews, ground staff, mechanics and other employees, said wage cuts should be limited to 8 per

cent and strongly weighted towards the higher paid. They said they would continue to disrupt Spain's air traffic if management pressed ahead with the layoffs.

Some 500 flights to and from Spain were cancelled yesterday, including all of Iberia's and most incoming flights by other European airlines. In the Canary Islands alone, 174 charter flights were cancelled.

"Iberia has far too long depended on hand-outs and believed it always had a safety net," said a senior Madrid government official. "All that is over now and these are not conventional talks about pay; they are about the survival of a big company."

In the absence of a restructuring plan based on the 15 per cent wage cuts, Iberia says it will be forced to sell off its more profitable business units to raise capital through disposals.

See Lex

Clarke defends Britain's EU stance

By Philip Stephens in London

Mr Kenneth Clarke, the UK's chancellor of the exchequer, yesterday delivered an uncompromising defence of Britain's policy towards the European Union as the government faced down a threatened rebellion by Tory Eurosceptics over the Brussels budget.

But the debate on legislation to allow higher British contributions to Brussels once again exposed the deep divisions in the Conservative party over Europe.

Mr Norman Lamont, Mr Clarke's predecessor at the Treasury, called for a vote to end its relationship with Brussels even if that meant considering the option of withdrawal from the EU.

A group of hard core Eurosceptics was still threatening to abstain or vote against the measure in spite of a threat of suspension from the parliamentary party.

In a combative performance in which he accused Labour and the Liberal Democrats of colluding

with the rebels to wreck an agreement which they had backed when it was signed at the Edinburgh summit two years ago, Mr Clarke said the government was "certain" of victory in last night's vote.

But a decision to suspend - or, more formally, remove - the parliamentary whip from any rebels could reduce or wipe out the government's already slender theo-

retical Commons majority of 14.

Rightwing opponents of Mr John Major were also still seeking support for a challenge to the prime minister before Wednesday's deadline for the start of such a contest.

But dissidents on the left of the party made it clear they were not prepared to add their names to the list of those seeking a challenge, leaving the rightwingers short of the required 34 names.

Mr Michael Heseltine, the trade and industry secretary, had earlier flatly rejected any suggestion that he had any knowledge of claims from some in the anti-Major camp that a contest could pave the way for him to win the leadership.

Insisting that the agreement would add only £75m (\$123m) to Britain's contributions next year - rising to about £250m extra by the end of the century - he said the accord represented a "personal triumph" for Mr Major.

Mr Clarke's only concession to the rebels was to promise tougher measures by national governments and by the Brussels Commission to cut EU fraud.

THE LEX COLUMN ABC's star attraction

The big US broadcasters have been kept out of television production for several decades. Now the shackles are being removed, it is hardly surprising they are rushing to get into the business. When there is an opportunity to link up with media titans such as Mr Steven Spielberg, Mr Jeffrey Katzenberg and Mr David Geffen, the temptation to do so must be irresistible. Capital Cities/ABC clearly hopes for a string of hit TV shows from the trio, which it can then syndicate throughout the US.

The deal may make sense for ABC. But the commercial logic behind networks building their own production capacity - rather than buying in programmes on an arms-length basis - is not clear-cut. On the plus side, vertical integration should allow cost savings in that a tied studio should not need its own syndication department.

Integration should also shift much of the risk of making programmes from studios to networks. Arguably such risk-allocation is efficient, since networks have bigger balance sheets. If a close relationship allows studio and network to communicate more effectively, the risk of making dud programmes might even be reduced.

But there are negatives too. Tied studios, secure of an outlet for their programmes, could easily lose their commercial edge. ABC might also find it hard to rein in its three stars, if ever their programmes were not up to scratch or ran over budget. ABC might note that in the UK there is something of a move away from vertical integration: in a drive to improve value for money, the BBC is contracting out an increasing proportion of its production.

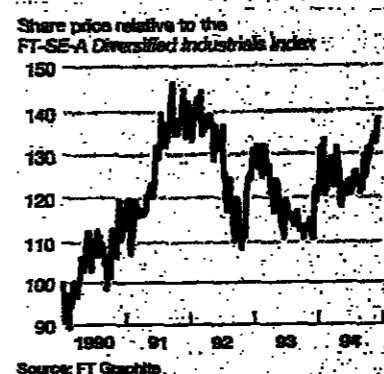
Williams Holdings

Williams Holdings yearns to be seen as a focused industrial group rather than a blindly acquisitive conglomerate. The signs are that it is gradually winning the battle. Williams' shares command a premium rating of 12 per cent against the market and are up nearly a quarter against the diversified industrial sector in the past 12 months.

Yesterday's \$30m deal helps show why. The purchase of Angus Fire on a multiple of 17 times last year's after-tax profits is unlikely to dilute Williams' earnings in 1995. This is despite the need for \$3.5m of restructuring charges to be taken over the line. Thereafter it should enhance earnings as margins are brought into line with

FT-SE Index: 3047.1 (+13.6)

Williams Holdings



the group's 15 per cent target and synergies with other fire businesses are exploited. It may not be huge for a company with a \$2.4bn market capitalisation, but it demonstrates that Williams is putting its shareholders' money where its mouth is. Angus is one of the larger transactions in a string of deals - worth \$250m in the past 12 months - which give credibility to the strategy of growth by bolt-on acquisitions.

That said, Williams still suffers from a number of problems. Its cash-flow, though now positive, is still not luxurious. Moreover, the recurrent need to write off goodwill following acquisitions means that shareholders' funds are tiny for so large a group. This means gearing rises rapidly. And as yesterday's cautious trading statement hinted, trading conditions are tricky. But Williams deserves its new-found credibility, and its rating.

Iberia

Yesterday's chaos on the planes in Spain was nothing compared with the crisis that would grip the European Commission if it allowed Iberia to be refinanced yet again by its state owners. Other airlines would cry foul since the requested Pta130bn (\$10m) in refinancing would break Iberia's undertaking not to seek state aid until 1996.

Iberia's management has masterminded a strategy which generated losses of Pta120bn since 1992 - the same amount as the state bail-out in that year. While Iberia's absolute costs have been kept low, revenues have stalled. The airline has been caught between the Spanish recession, low

yields caused by the high proportion of holiday traffic on its routes, and the absence of international transit passengers. Its efforts to remedy this by expanding into Latin America have proved unprofitable.

Iberia must raise capital without begging from the state. It could sell and lease-back its aircraft, dispose of its European subsidiaries to companies such as BA or Lufthansa and cut costs still further. If that is not enough, the group could dismantle its Latin American operations. Iberia would be without an intercontinental strategy but it could easily merge with another airline. That might seem a big blow to Spanish pride, but it would be better than continuing large cash injections from the taxpayer.

Bayer

Bayer has yet again proved itself a class act. Its 60 per cent rise in year-on-year pre-tax profits during the third quarter was thanks to hard work as well as recovery. The cost-cutting has been impressive. During the last four years staff numbers have been cut by 11 per cent, while salaries have been kept under control. Turnover has been almost static, yet sales per employee improved 11 per cent. Nor did Bayer stint on capital expenditure during the recession: the group will have invested more than DM15bn (\$9.5bn) between 1990 and the end of this year.

Such careful husbandry during the downturn is now being rewarded. Sales in all divisions have started to rise, driven by earlier strategic expansion into Asia, Latin America and the US. More is yet to come. The group is still to benefit fully from recovery in Europe, where more than half its turnover is generated. Year on year, prices were actually down 1.1 percentage point, but the group expects to push through increases.

Weaknesses remain. The pharmaceuticals division has not performed well. However, management has high hopes for the new product portfolio and is following the example of other groups by reorganising research and development to raise productivity. Bayer has also addressed the dyestuffs operations' difficulties, placing them in a joint venture with Hoechst. The only problem is Agfa, its photographic business, which sits oddly within the group. Bayer should find some way of disposing of it. The shares, which have underperformed more cyclical stocks such as Hoechst and BASF, deserve a rating.

The results of being focused on the Nordic region.

This announcement appears as a matter of record only.

Stadshypotek

Initial public offer and institutional placing of 80.5 million series A shares

The institutional placing price valued the offer at SEK 2406 million

Kleinwort Benson

acted as joint adviser and global co-ordinator

November 1994

This announcement appears as a matter of record only.

Outokumpu

Primary offer of 14.7 million A shares and 20.72 million warrants

by

Outokumpu Oy

and secondary offer of 5.3 million A shares

by

The Republic of Finland

Kleinwort Benson

acted as adviser to The Republic of Finland

July 1994

This announcement appears as a matter of record only.

The Government of Sweden, KF and Neste Oy

have sold

OK PETROLEUM

to

Corral Petroleum Holdings

for SEK 5.9 billion

Kleinwort Benson

acted as financial adviser to The Government of Sweden, KF and Neste Oy

March 1994

Kleinwort Benson

Issued by Kleinwort Benson Limited, a member of SFA and ISMA

FT WEATHER GUIDE

Europe today

High pressure over the North Sea with extensions to the Mediterranean and Norway will give settled and mainly dry conditions over western Europe. Low pressure over Russia will draw cold Arctic air with snow as far south as the Black Sea. In the wake of the cold front, the Baltic region will have variable cloud and isolated snow showers. Part of the cold air mass will surge into north-west Europe, where temperatures will become seasonable. Fog patches and low cloud will be followed by abundant afternoon sun in Italy, France and the British Isles. Western Scandinavia and Spain will have some showers.

Five-day forecast

The high pressure system will slowly move towards Poland, maintaining a light to moderate cool northerly flow over eastern Europe. Central Europe will turn cooler. Western Europe will be influenced by increasing southerly winds which will promote sunny spells and decrease the risk of fog. Light frost is expected later this week in eastern France, the Benelux and southern Germany.

TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	30	22	Algiers	14	9	Amsterdam	14	9
Athens	15	10	Bahia	24	19	Bangkok	33	24
Batavia	24	19	Bombay	24	19	Buenos Aires	18	13
Beijing	8	-3	Berlin	10	5	Bombay	24	19
Bombay	24	19	Buenos Aires	18	13	Calcutta	24	19
Buenos Aires	18	13	Calcutta	24	19	Cairo	24	19
Calcutta	24	19	Cairo	24	19	Canton	18	13
Canton	18	13	Cebu	24	19	Chengdu	18	13
Cebu	24	19	Chengdu	18	13	Copenhagen	18	13
Copenhagen	18	13	Columbo	24	19	Dakar	24	19
Columbo	24	19	Dakar	24	19	Dahomey	24	19
Dakar	24	19	Dahomey	24	19	Dar es Salaam	24	19
Dahomey	24	19	Dar es Salaam	24	19	Delhi	24	19
Dar es Salaam	24	19	Delhi	24	19	Detroit	18	13
Delhi	24	19	Detroit	18	13	Doha	24	19
Detroit	18	13	Doha	24	19	Dublin	18	13
Doha	24	19	Dublin	18	13	Edinburgh	18	13
Dublin	18	13	Edinburgh	18	13	Frankfurt	18	13
Edinburgh	18	13	Frankfurt	18	13	Gaborone	24	19
Frankfurt	18	13	Gaborone	24	19	Glasgow	18	13
Gaborone	24	19	Glasgow	18	13	Hamburg	18	13
Glasgow	18	13	Hamburg	18	13	Helsinki	18	13
Hamburg	18	13	Helsinki	18	13	Hong Kong	24	19
Helsinki	18	13	Hong Kong	24	19	Honolulu	24	19
Hong Kong	24	19	Honolulu	24	19	Istanbul	18	13
Honolulu	24	19	Istanbul	18	13	Jakarta	24	19
Istanbul	18	13	Jakarta	24	19	Jersey	18	13
Jakarta	24	19	Jersey	18	13	Karachi	24	19
Jersey	18	13	Karachi	24	19	Khartoum	24	19
Karachi	24	19	Khartoum	24	19	Kuala Lumpur	24	19
Khartoum	24	19	Kuala Lumpur	24	19	La Paz	18	13
Kuala Lumpur	24	19	La Paz	18	13	Lima	18	13
La Paz	18	13	Lima	18	13	Lisbon	18	13
Lima	18	13	Lisbon	18	13	London	18	13
Lisbon	18	13	London	18	13	Luxembourg	18	13
London	18	13	Luxembourg	18	13	Lyons	18	13
Luxembourg	18	13	Lyons	18	13	Madrid	18	13
Lyons	18	13	Madrid	18	13	Manila	24	19
Madrid	18	13	Manila	24	19	Mar del Plata	18	13
Manila	24	19	Mar del Plata	18	13	Mexico City	24	19
Mar del Plata	18	13	Mexico City	24	19	Miami	24	19
Mexico City	24	19	Miami	24	19	Milano	18	13
Miami	24	19	Milano	18	13	Montreal	18	13
Milano	18	13	Montreal	18	13	Moscow	18	13
Montreal	18	13	Moscow	18	13	Munich	18	13
Moscow	18	13	Munich	18	13	Nairobi	24	19
Munich	18	13	Nairobi	24	19	Naples	18	13
Nairobi	24	19	Naples	18	13	Nassau	24	19
Naples	18	13	Nassau	24	19	New York	18	13
Nassau	24	19	New York	18	13	Nice	18	13
New York	18	13	Nice	18	13	Nicosia	18	13
Nice	18	13	Nicosia	18	13	Oslo	18	13
Nicosia	18	13	Oslo	18	13	Paris	18	13
Oslo	18	13	Paris	18	13	Perth	24	19
Paris	18	13	Perth	24	19	Prague	18	13
Perth	24	19	Prague	18	13	Rangoon	24	19
Prague	18	13	Rangoon	24	19	Reykjavik	18	13
Rangoon	24	19	Reykjavik	18	13	Rio de Janeiro	24	19
Reykjavik	18	13	Rio de Janeiro	24	19	Rome	18	13
Rio de Janeiro	24	19	Rome	18	13	Sao Paulo	24	19
Rome	18	13	Sao Paulo	24	19	Seoul	18	13
Sao Paulo	24	19	Seoul	18	13	Singapore	24	19
Seoul	18	13	Singapore	24	19	Stockholm	18	13
Singapore	24	19	Stockholm	18	13	Stuttgart	18	13
Stockholm	18	13	Stuttgart	18	13	Sydney	24	19
Stuttgart	18	13	Sydney	24	19	Taipei	24	

GLOBAL CUSTODY

Tuesday November 29 1994

Russia: the challenges posed by the final frontier
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Push-button service for measuring performance
Page 4

Oil for the world's investment machinery

Global custodians have moved on from the task of merely keeping securities safe. They are now in the business of asset administration. Norma Cohen reports

Global custody, once a sleepy backwater of the banking industry where clerks endeavoured to keep securities safe, is no more. Instead, it is a global multibillion-dollar business which provides the oil for the world's investment machinery and the glue which holds the system together.

Indeed, custodians say, their sector is saddled with a misnomer. "We are really in the asset administration business," said Valentine Feerick, head of global trust and custody at Mellon Trust Europe. "We need to be able to play a role from the point where somebody agrees to buy a security to the point where somebody sells it."

For international banks such as Mellon, the core "master trust" business is relegated to a mere housekeeping activity. The real business is up-to-the-minute information provision for clients whose investments are crossing international borders and time zones at an alarming rate.

In addition to the traditional services of cash and foreign exchange management, dividend collection, and monitoring corporate actions, clients want custodians to handle securities lending into exotic markets, investment accounting and performance measurement and attribution.

"What our customers will look to us to provide is valuable information that will help them make the right decisions about their asset strategies," said Marshall Carter, chairman and chief executive officer at State Street Bank, one of the world's largest global custodians. Competition in future years for banks such as State Street may well come not from

other banks looking for a slice of a lucrative new business but from leading information providers such as Reuters and Bloomberg which already are adept at sending information around the world at low cost, Mr Carter said.

Customers will want their custodian not only to collect mountains of data for them, but to distill it into a readily useable form.

Charles Cassidy, who runs State Street's European custody business, points out that regulators' efforts to curb risks in securities settlement mean that clients need even more from their custodian. Earlier this year, the US Federal Reserve began to charge banks for their intra-day borrowings, a cost which has now been passed on to institutional investors. "Money now has a value during the day and information about money now has a value during the day," he said, noting that clients want their custodian to monitor their borrowings minute by minute to cut the cost of credit.

While clients are demanding an increasingly sophisticated product, they have been able to exploit fierce competition in the business which is driving pricing down further. The long-envisioned shake-out has yet to materialise. However, there are signs that some institutions which provided their own custody are now re-thinking that strategy - a move which could ease competitive pressures.

Earlier this month, Prudential, the UK's largest life insurer and a leading international investment manager, caused a rumble by quietly asking 10 international banks to bid to manage its £40bn portfolio of UK and interna-

tional securities which it handles in-house.

It is the largest single contract since the California Public Employee Retirement System sought bids for its business in early 1992.

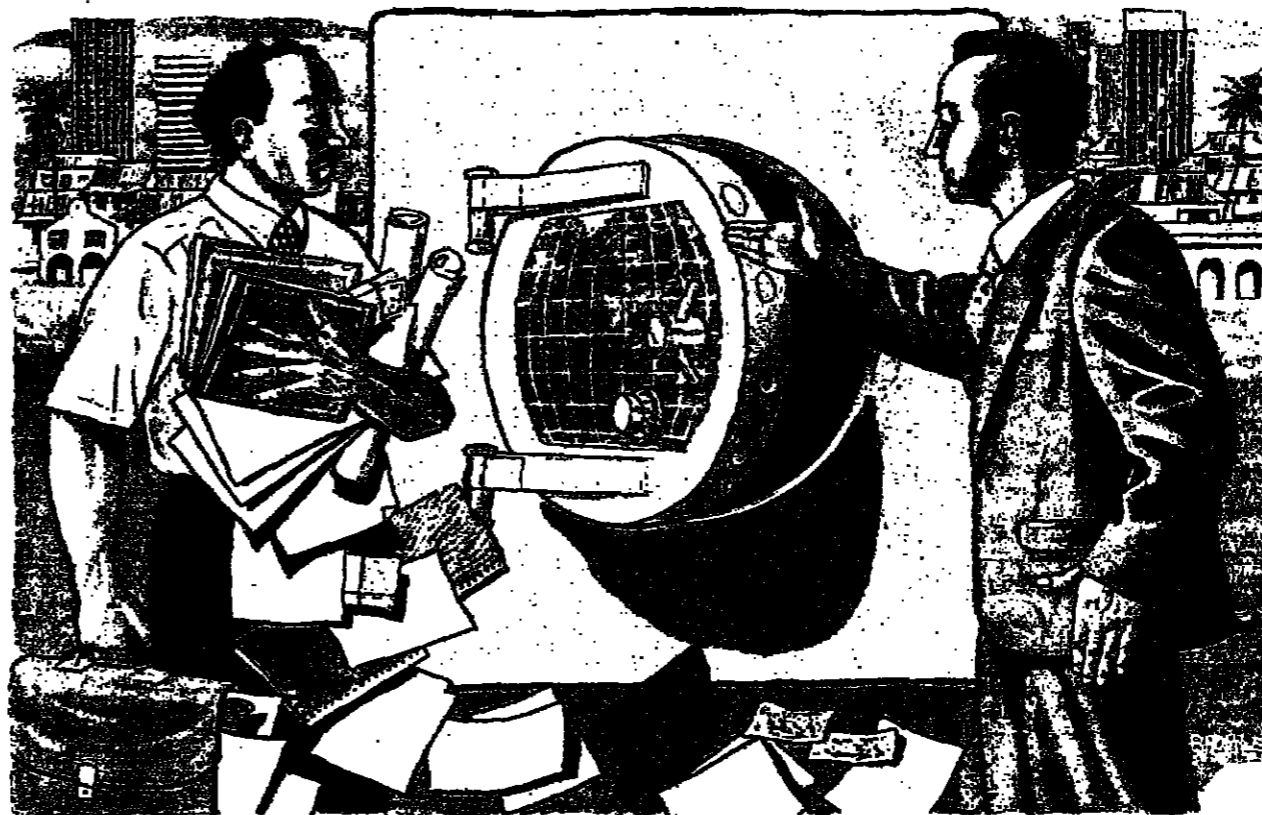
David Hanson, director at Prudential Portfolio Managers, said the Pru simply made the decision that while it meets its own custodial needs perfectly well at present, the future requirement for investment in technology had caused a rethink. Custody, he said, is simply not Prudential's core business and the insurer would rather concentrate on what it is good at - investment.

However, there are few signs that third-party custodians are retreating from what is for some a very profitable business. Robert Binney, head of Chase Manhattan's European custody business, says that custody is the single largest contributor to Chase's profits for the Europe, Africa and Middle East regions.

Morgan Stanley, one of the few investment banks to establish a significant toehold in custody, says that 1993 was a "banner year" for profits in its custody business. In 1994, profits are already up 60 per cent. It is the fourth most significant contributor to group profits for the bank.

"Everybody is talking about a shake-out in the custody business. But I'm at a loss to see who is getting out," said Mr Cassidy. "But what we do see is a tiering of the business."

John Lee, a partner at Lee Schwartz Associates, says that a group of 10 international custodial banks now account for



80 to 90 per cent of the business worldwide. A further 70 to 80 banks may service significant parts of individual countries or regions.

Michael Grass, head of global custody at Barclays Bank, predicts that the degree of annual expenditure on technology and the number of new markets for which there is a demand for service mean that no bank can afford a comprehensive service. Instead, "we will see alliances. Banks will say, 'Look, you offer this service and I'll offer that service and we'll face the market together'."

Already, there are signs that Mr Grass's prediction is coming true. Leading custodians are reporting increasing interest in so-called "white labelling", the provision of their service under the brand name of the end-client's own custodian. The arrangement allows banks which cannot invest in the necessary technology to retain a long-time relationship with a client while providing

high-technology custodians with an additional source of revenue.

Meanwhile, if there is any trend which has shaped the business in the past year, custodians say, it has been the pace of expansion into cross-border investment, particularly from the US which has traditionally been reluctant to look overseas. That move abroad has taxed the abilities of custodians, particularly in emerging markets where the flood of foreign investments has swamped the system in some countries.

According to InterSec Research, a US pension consulting firm, US pension funds sharply increased their international holdings to 7.4 per cent of all assets by the end of 1993, up from 4.7 per cent the year before. And despite weakness in equities markets worldwide, the trend continued into 1994 with the value of US pension assets invested abroad rising by a further \$20bn in the first half of the year. Most of

that went into equities.

And, significantly for the global custodians, there has been a considerable increase in investment in emerging markets where settlement systems and custodial services have often been rudimentary.

Baring Securities is predicting that by 2010, roughly 45 per cent of the world's stock market capitalisation will be in emerging markets.

If there had been any doubts about the need for effective custodial services in these emerging markets, the example of India would have erased them. Earlier this year, custodians operating there had to close their doors to new foreign investment and set limits for existing customers as the paper-based system created a virtual standstill.

And despite the introduction of a number of reforms intended to ease the paper crunch, custody in India is still threatening the ability of foreign investors to invest there. GSCS

Benchmarks, a publication which tracks the performance of custodians in each country, estimates that by the third quarter of 1994, three out of every four trades were still failing to settle on time. "Simply stated, the situation in that market has reached a point where any prudent fiduciary, whether a money manager or a custodian, should be advising clients not to invest there," GSCS said in its latest bulletin.

India is not alone, GSCS says. Malaysia is showing signs of proving equally problematic and even some mature markets, such as Japan, have relatively high levels of trades which fail to settle on time.

Overall, the pressures on custodians to service arcane markets and meet increasingly sophisticated needs is taxing the industry's imagination and its ability to finance further technological development. Long-term, only a handful of international operators are likely to rise to the challenge.

IN THIS SURVEY

Man from the Pru galvanises the industry

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Editorial production: Roy Terry
Illustration: David Bromley

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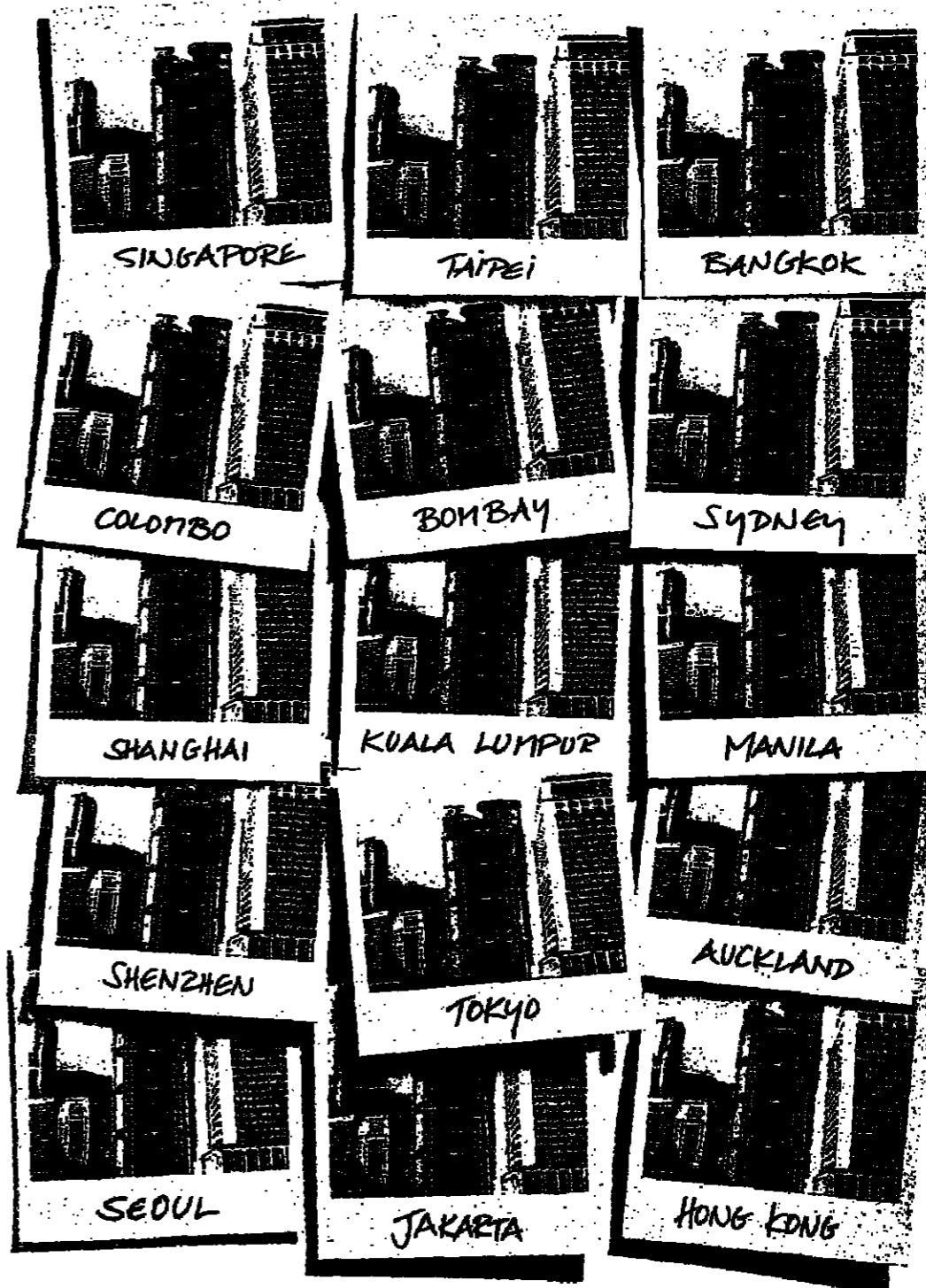
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GLOBAL CUSTODY 2

Outsourcing: Norma Cohen on the implications of the Prudential contract

The Pru's move galvanises the industry

Earlier this month, the Prudential, the UK's largest institutional investor, asked 10 leading international banks to tender for its global custody business, thus setting off a burst of enthusiasm not seen in the sector in years.

With £40bn of global assets to care for, the Pru's contract will be the largest single slice of new business since the California Public Employees Retirement System (Calpers) put its then \$65bn portfolio out to tender in early 1992.

For those in the global custody business, the implications of the Pru's move are enormous. It is not simply the thought of a contract to service £40bn of assets, they say, but the broader question of just who ought to be in the custody business anyway. If the Pru's vast assets are still too few to justify it being in the custody business, then surely dozens of other smaller fund managers in the UK and beyond will also need to consider outsourcing their asset servicing business.

In making its decision to outsource its custody, David Hanson, a director at Prudential Portfolio Management, said the company looked long and hard at its core businesses and decided that custody was not one of them.

"The players who are in here are in for the long haul," Mr Hanson explained. "They are investing \$50m a year. Also, you really have to be part of the banking business to do it well," he said. "A bank is capital-hungry. Our core competence is investment."

And even if Prudential had decided to make a serious bid for the custody assets of others – giving it far greater critical mass than it has even now – "you're never going to say 'The Prudential – number one in custody'," Mr Hanson said.

Once that decision had been made, the company, which is the UK's largest life insurance

company, retained a consulting firm to help it find the right custodian – or combinations of custodians – to suit its needs. Significantly, the Pru has selected the same firm of consultants which helped Calpers achieve some of the finest pricing for custodial services ever seen in the business.

However, the fact that a company the size of Prudential should have decided to outsource its custody operations is by no means an indication of how much critical mass a fund manager would need to remain in that business.

Ms Elizabeth Corley, director in charge of custody and investor services at UK investment bank SG Warburg and Co, says that her company has taken a different view. At Warburg, which is the custodian for its 75 per cent-owned subsidiary Mercury Asset Management (MAM), "custody is a core business".

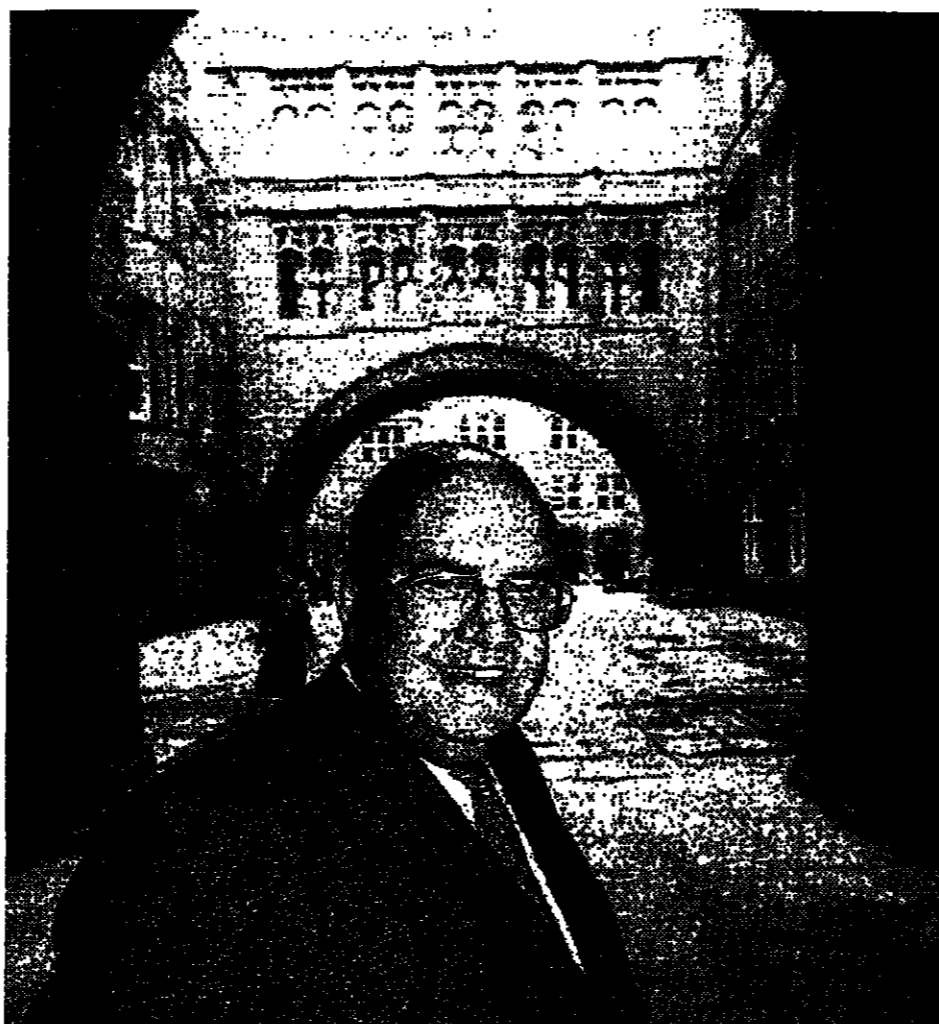
MAM began to invest heavily in its custody operations about six years ago mostly to meet the needs of its fund management clients for whom it offers a bundled service.

However, because of the significant technology spend that effort required, MAM began to consider whether it could perform the same service well for those who are not its fund

Dozens of smaller fund managers are expected to follow the Prudential and outsource their asset servicing business

management clients.

And, indeed, some of its fund management clients, such as the Grandmet Group Pension Fund, ask MAM to additionally provide the custody for the portion of assets it does not invest. Recently, it has begun to market its custodial capacity more widely – earning an added boost from consultants who rate it highly – and has



Mick Newmarch, Prudential's chief executive: global custody not a core business

Picture: Trevor Humphries

attracted the business of Invesco, the UK-based fund manager.

But MAM's recent emphasis on building its own stable of retail financial products has forced it to invest heavily in information technology not only for custody but for client record-keeping and other services.

"If you are making that investment, you must ask yourself whether you are doing it just for yourself, or for others as well, or should you not be doing it at all," Ms Corley said. MAM, which is spending £10m to £12m on new systems each year, has decided it wants to do it for others in addition to itself.

It has succeeded in winning

the mandate to manage the new start-up unit-trust and unit-linked life insurance businesses of the Halifax Building Society and for Leeds Unit Trust Ltd, the unit trust arm of Leeds Permanent Building Society.

Also, MAM makes its proprietary retail fund administration system available commercially.

"I actually think that outsourcing is going to become more important," Ms Corley said. "People are saying 'I can't do something well and I don't need to, why should I?'"

John Lee, partner at Lee, Schwartz Associates, a consulting firm specialising in custodial business, agrees that if anything, the trend towards outsourcing is likely to continue. While news of spectacular new contracts such as the Pru's may still be rare instances, a far more common form of outsourcing is occurring under the description of

"white labelling".

In white labelling, or private labelling, banks which have traditionally provided custody services find they can no longer afford to do so efficiently.

They may then turn to one of the larger banks to do it for them, unbeknown to the ultimate client. The client, most likely a fund manager or insurance company, retains its direct relationship with the bank which will still be responsible for all reporting and the provision of administrative services.

Ross Whitehill, senior vice-president, global custody, at Morgan Stanley, notes that in Europe, where relationship banking remains a key determinant of who does business with whom, such private labelling relationships look particularly attractive.

Other banks were inclined to agree. "We're talking now to two European institutions who provide global custody. They cannot keep up with the technology and the big Americans are pillaging all their clients," said one banker. Although the banks are asking the custodians whose services they will "white label" for non-competitive clauses in their respective markets, the bank believes such agreements will increasingly become a profitable activity for the largest operators and a hallmark of the custodial business on the European Continent.

Profitability: John Gapper reports

Relatively low risks and stable earnings

The attractions of global custody for the dozen or so banks that are serious operators in the market stem as much from what it does not involve as from what it does involve. It is not an activity like lending which requires the use of balance sheets and ties up capital, nor is it like securities and money markets, which is profitable in good times but suffers from poor returns in bad times.

After the lending problems of many banks at the turn of the decade, and the let-down from 1993's trading *crisis mirabilis*, these advantages are more firmly instilled than ever in most bankers' minds. Larger banks regard custody as having an attractive combination of relatively low risks and a stable annuity-like earnings stream for successful operators.

Furthermore, custody has an obvious allure for many banks because it fits in well with other activities. Banks that are active in securities and foreign exchange trading see custody as a means of gaining captive business, so gaining more volume to pass through existing infrastructure. All have the basic requirement of being able to clear and settle transactions.

Within the different forms of custodial business, global custody is also more attractive than domestic master trust and custody work in the US, and sub-custodianship in other domestic markets because of the growth in the market, and the potential for higher returns. Most global custodians argue that prospects are bright because of long-term investment trends.

Ralph Mastrangelo, a managing director at JP Morgan, argues that the portfolio strategies of US fund managers mean that their need for global custody services is bound to grow. "The search for yield is pushing them into new markets," he says. This not only means more call for central management of funds, but the possibility of higher margin work.

One custodian estimates that margins on the ancillary service of stock lending – one of the most attractive linked businesses – are only 25 basis points (hundredths of a percentage point) in the London market, but range up to 300 basis points in some emerging markets. Only banks with a strong presence in emerging markets as custodians can achieve this return.

Such factors would appear to make global custody a highly attractive business for all banks. Yet the business remains one of the most highly concentrated of all banking activities. This is because of the high barriers on entry, and the intense competition on margins in the forms of custody which new entrants might be able to perform relatively easily.

Pressure on margins has been a constant of the past five years. Alex Jablonowski, managing director of Barclays' global services arm, observes that "custody is for the birds". He says that the straightforward activity of holding securities in safekeeping and collecting dividends on equities and coupon payments on bonds produces miserly returns.

The forcing down of margins has been accelerated by the sophistication of the bidding process for the largest contracts. Fund managers have become used to banks making aggressive quotes for the simplest forms of business to be allowed to carry out more profitable ancillary services. Basic custodial work is now done virtually free on the largest contracts.

Alastair Reid, director of custody at Barclays, argues that banks can "make good money by combining different themes" in custodial work even if the core product has been commoditised. The more profitable ancillary services include stock lending, foreign exchange contracts and all forms of derivatives to reduce risk and enter new markets.

Mr Mastrangelo says that most bids are "based on what a bank can get from the value-added side. The clients know that they are giving some gravy to subsidise the basic custody". Similarly, Mr Jablonowski says that the most profitable activities are "across markets and across products. The really horrible stuff is in a single product in a mature domestic market".

But the price of entry even to make such bids is also substantial, and becoming more so. Banks such as Chase Manhattan and State Street which have concentrated on custody and related businesses since the late 1980s have large technical infrastructures. At the heart of operations such as Chase's Infoserve arm are proprietary telecommunications networks.

This has led to a tendency for consolidation among custodians, with smaller operators in the US selling businesses to those with an established advantage. Furthermore, fund managers who have undertaken custody are contracting out, a trend exemplified by Prudential Insurance in the UK to seek tenders for its global custody.

Despite the pressure on margins in basic forms of custody, the large operators therefore face the possibility of becoming increasingly dominant in a growing market, and so being able to reduce their unit costs. The future of profitability for such operators is likely to centre on their ability to control the risks of custody, which can be substantial.

One form of risk is credit. Although there is relatively little credit risk involved in basic custody, custodians have introduced forms of credit risk in an effort to offer more sophisticated services. One example is the now common practice of paying dividends or tax rebates to fund managers on set dates, whether or not the custodian has yet collected the money.

One custodian argues that these forms of risk are not being priced properly at the moment. Because custodians tend to deal with large creditworthy fund managers, they have competed for business without taking true account of the risk of loss. "The credit risk aspects of this business are not getting enough attention, and they are not being priced," he says.

Most custodians believe that an even greater risk is operational: the chance of failing to complete trades that a custodian has guaranteed, and so having to make up the shortfall of funds because of movements in securities prices. The risk can be exaggerated, given that custodians can also benefit from market movements, but it is particularly acute in emerging markets.

Ms Vivian Eversole, executive vice-president of Chase Manhattan, says that the biggest risks "are definitely operational. It is blowing a transaction or valuing a fund improperly". Such risks are likely to figure more strongly in custodians' thoughts if margins on business in emerging markets erode without corresponding improvements in market infrastructure.





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GLOBAL CUSTODY 4

Swift: John Gapper looks at the cross-border financial message network

Uncertainty over expansion plans

For global custodians, there are few more vital matters than being able to settle securities transactions on behalf of clients safely and quickly. Without an efficient method of doing so, custodians face not only high costs, but the financial risks of settlement failure.

The large US custodians might therefore have been expected to welcome a move by Swift, the Belgian-based cross-border financial message network, to provide a computer matching and reconciliation facility which can be used by all custodians and fund managers to track their transactions.

It was not to be. Instead, SwiftAsset Reconciliation was criticised on its launch at Swift's Sibos payments conference in Boston last month for being an inappropriate ven-

ture. The idea of easy access to such a tool for all Swift's 4,000 customers did not please the largest custodians.

Ms Vivian Eversole, executive vice-president of Chase Manhattan Bank, argued that Swift, which is owned by 2,230 banks, should concentrate on its core service of delivering financial messages rather than producing "value-added" products for market participants.

The question of how it can avoid competing with its own shareholders has become crucial for Swift as it mounts an ambitious push into the securities market, broadening its roots as a means for banks to exchange payments, foreign exchange and money market messages.

There is a clear logic to Swift's securities ambitions. Swift itself estimates that the growth in global investment means that there will be 1bn securities messages exchanged annually by 1997. Yet members exchanged only 21m securities messages - a fifth of total traffic - during last year.

Tony Kirby, Swift's director of securities markets, says that falling settlement times mean that it is increasingly difficult

to exchange paper confirmations of trades. "You have to be connected electronically, or you can imagine telexes and faxes blocking the world's financial arteries," he says.

This has given Swift an opportunity which it might have found harder to capitalise on two years ago. The network then had a reputation for over-spending, and being unresponsive to its users. Although it had admitted fund managers in 1992, it was still levying relatively high transaction charges.

Since then, the network has undergone a substantial reform led by top management. Leonard Shrank, the chief executive recruited from Chase Manhattan two years ago, has engineered cuts in the entry fees and tariffs for use of the network because of reduced expenses and higher volumes.

Mr Kirby says there is no conflict between Swift developing securities services and the interest of members such as large global custodians. He says that if the maximum number of participants is connected electronically and can exchange information "it will reduce the risks for everybody".

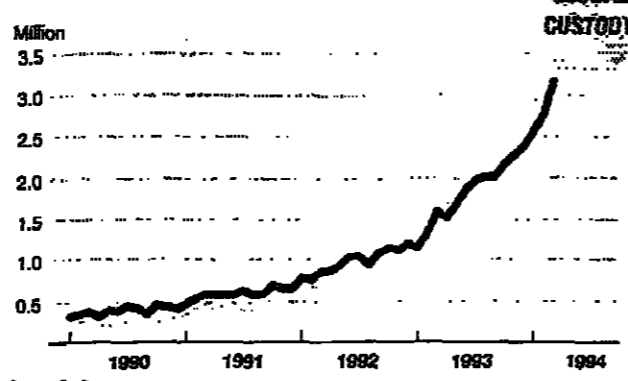
Yet Swift now faces uncertainty over how it should develop its securities activities. Mr Kirby argues that it can play a pivotal role in lowering the automation costs of new operators.

Some of this effect has already been seen in the relative enthusiasm of smaller fund managers for the network.

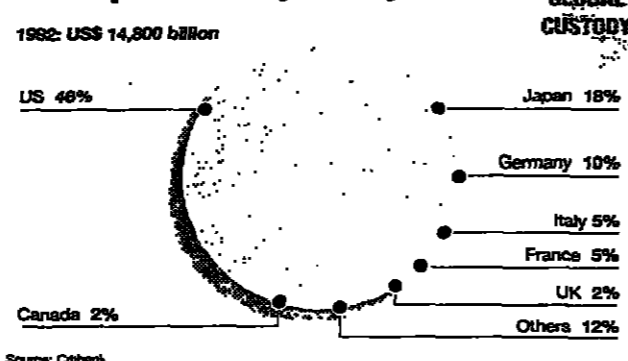
"The reason we are looking at added-value services is to attract newer participants. If the maximum number of parties is connected electronically, it will reduce the risks for everybody," he says. It would also allow smaller fund managers and custodians to provide sophisticated services.

Mr Kirby points to two advantages for fund managers in services such as SwiftAsset Reconciliation. First, he says it will improve the quality of information they receive on the their trades. This will "enable them to alert their bank" if there is a problem

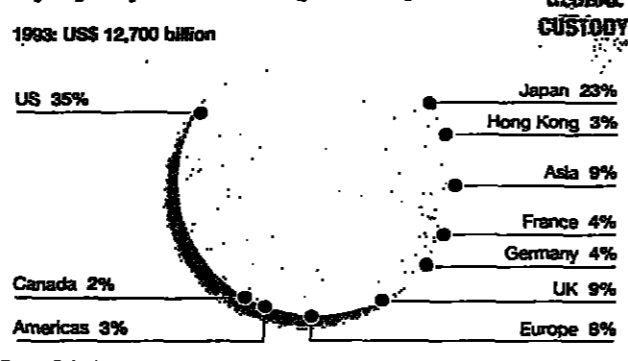
Securities messages on Swift network



Debt capitalisation by country



Equity capitalisation by country



rather than waiting to be informed.

A second advantage, he says, is that "it is crazy for a fund manager to use every type of proprietary system that a bank comes up with". If they use systems which are standard across the whole industry, this means that they will be able "to switch custodians fairly cleanly" if they wish.

He combines this ambition with a clear statement that Swift does not want to "replace the banks' proprietary systems".

Yet there is clearly a potential for conflict with custodians that provide high margin services for customers by gathering such information through their proprietary systems. The scope for conflict in

securities activities is greater than in some of Swift's potential payment and foreign exchange services because banks wanted to act as an intermediary there. But plans such as centralised matching of securities trades by 1997 could threaten the existing role of custodians.

In her Sibos speech, Ms Eversole argued that such value-added products were not an integral part of its strategy of attending to the needs of its most important customers - banks. Instead, she said Swift should be "focused on building the information autobahn of the financial world".

Yet the distinction between Swift's different categories of customers is likely to become increasingly blurred. Its move to admit fund managers in 1992

may be followed shortly by a similar decision to allow limited access to big corporate users, further diversifying its customer base.

Furthermore, as global custodianship consolidates further, it may be difficult for the few large banks that specialise in the activity to exert a controlling influence on Swift. Small banks may in contrast be happy to see it develop value-added services to lower the cost of entry for such activities.

Mr Kirby says that Swift's managers "respect the position of the large global custodians" but points out that Swift's board decided on the strategy. He says that Swift wants to "work with global custodians to define exactly what we mean by value-added services" now the debate has surfaced.

He argues that "today's added-value service is tomorrow's commodity" in the fast-evolving world of custodianship. This means that Swift should be able to focus on activities which do not conflict with global custodian shareholders. This is likely to be one of its largest challenges in the future.

Performance measurement: Norma Cohen reports

Push-button service

Nothing has attracted more excitement than performance measurement in the search to find new value-added services to package into global custody services.

Traditionally the domain of independent professional services who glean information from custodians before translating it into usable form for clients, custodians are moving into performance measurement with a vengeance.

"Custodians were fools ever to let performance measurement go to third-party providers," one banker said.

Robert Ross, director of consulting at Frank Russell Associates in London, said: "In theory, it could all be done at the push of a button. Custodians have all the data at their fingertips," he noted.

Frank Russell, which is active in the performance measurement market itself, has wasted no time in capitalising on this latest trend. The company is providing a software package to Chase Manhattan Bank, one of the world's largest global custodians, which is used by all its clients. The service will provide measurement and multi-currency performance attribution, helping clients to pinpoint which aspects of their investment strategy led to the out-performance or under-performance of a portfolio.

Also, Frank Russell is providing its performance measurement software to a group of other banks who make it available to selected clients.

According to Ms Laurette Bryan, senior vice-president in charge of performance and analytics at State Street Bank, says that the role of custodians in performance measurement is now so pervasive in the US that "the consultants are almost getting out of the business here because we are taking over".

"We can do it much faster than they can," she said, noting that full reports can be prepared for clients within three to five business days of the end of each month.

State Street's performance measurement service has three elements: a pure calcu-

lation of total returns, a comparison of returns against various benchmarks, and performance attribution. The last of the three is particularly crucial to pension scheme clients, she says.

Ms Bryan says that the particular style of US pension fund management lends itself to the type of performance measurement which custodians can offer. For one thing, US schemes are far more willing to use "specialist" fund managers and may have as many as 30 or 40 different companies handling bits of their portfolio. These organisations need to know, for instance, how their portfolio managers compare against each other as well as how they performed against their respective benchmarks.

Also, a global custodian for a client's portfolios will be able to spot some key elements of performance attribution at a glance. "Sometimes a plan does well because all their managers have moved in the same direction at the same time, and it turned out to be the right direction," she said. However, that sort of "luck" in a client's portfolio ought to be pointed out because it can lead to serious underperformance in future years. Ms Bryan recalled one former client who had done exceedingly well in the mid-1980s with a portfolio tilted towards small energy-related companies based in Denver, Colorado, which not long afterwards collapsed.

What clients really want, she says, goes beyond pure performance measurement. "If you can consult and interpret, then clients are willing to pay for it," she says.

In the US, fund management styles and the absence of a single, universal performance benchmark have created a more hospitable market for custodial banks to make inroads into that market. But in the UK, the "balanced" pension fund portfolio where the fund manager, not the client, decides the asset allocation, is the norm.

For this reason, consultants

conjecture, the UK has retained a performance measurement system which has been able to develop broad benchmarks covering a high percentage of all market participants. Unlike the US, it is possible to gain a fairly accurate picture of the achievement of the "average" fund manager in total returns and the range of performance. However, there are few asset-specific benchmarks making it difficult to learn, say, how the average international bond portfolio manager performed. Thus, in the UK there has been little sign of custodians making significant inroads into performance measurement. Pension schemes simply do not need the service custodians are offering.

The UK market is dominated by two organisations: Combined Actuarial Performance Services (CAPS), owned by the four largest pension consulting firms, and WM Company, owned by Bankers Trust.

Earlier this year, Bankers Trust replaced the long-time chairman of its WM subsidiary with a senior BT official, Charles Kiley, and said it would like to obtain better synergy between the service and its global custody operations.

Mr Kiley acknowledges the differences between the two markets. "We need to develop different products and services for the two markets. They want different things." US clients "want to get down to the performance of the individual securities, not just portfolio measurement". They want to know what each stock or bond contributed to overall performance.

WM does have several specialised products, including its new PerfX product which measures the contribution foreign exchange made to performance. Also, in the Globemaster product, WM does the performance measurement side of the custody service and WM markets its performance measurement capabilities to other custodians as well.



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Norma Cohen reports
on service

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GLOBAL CUSTODY 6

Securities lending: Norma Cohen on the value of this bolt-on service

Cash-generating practice

Of all the services global custodians provide, none causes as much interest as securities lending.

This is the business where an efficient custodian can earn enough cash to be able to offer a new client a basic service almost free of charge.

"There is only one bolt-on service which is of value to the provider and that is securities lending," said John Lee, partner at Lee Schwartz Associates, a consulting firm specialising in custody. "There is an increasing number of custody contracts tendered for on the basis of 'We will do the custody for free if we get the securities lending bit'," Mr Lee said.

However, some custodians are cautioning against linking pricing decisions too closely to securities lending. "Securities lending does influence pricing decisions," said Dick Feehan, managing director at Bankers Trust's European global products division. "But the structure of a portfolio can change overnight," he warned. It may be reconstituted in a way which offers far less potential for lending than had been thought and the custodian could be underpricing his service.

Securities lending offers clients a chance to earn not only a rate of return on the loaned securities, but on the investment of the collateral held against it.

Yet, custodians say, even after years of successful stock lending in the US which has enhanced returns and cut operating costs significantly, many UK pension funds remain wary of the practice.

Demand for loaned securities - both equity and debt - has been driven by the growing use of derivative instruments by fund managers and securities houses. These encourage investors to take short positions - that is, to sell securities they do not own - and there are times when investors need to borrow stock to fill a short position.

Also, international stock lending has been driven by vastly increased interest in emerging and less efficient markets by US and UK investors. Investors willing to lend

Spanish securities, for instance, may earn up to 3 per cent of the value of securities loaned reflecting both market inefficiencies and the reluctance of domestic investors to lend in an environment of legal ambiguity about the status of the practice.

Inefficient, paper-based markets also offer great potential

are rapidly increasing.

However, in the UK clients are far more reluctant. "We do very little lending in the UK," he said. Partly, that reluctance might reflect the relatively low returns earned on domestic stock lending. While margins are also low in the US, volumes are so large that investors who do participate earn quite

stock lending, passes the collateral it receives back to the lender, who is then free to invest it as he sees fit.

However, the common practice is for the global custodian to invest the collateral. This is not a totally risk-free activity as Chicago-based Harris Trust found out earlier this year.

In the second quarter of 1994,

Settlement Index* Major markets					
Country	Volume (% of total trades)	Settling (% on SD)	Q2 94	Benchmark Q3 94	% change
Australia	5.79	87.80	95.23	96.30	1.12
Belgium	0.42	94.57	93.99	93.99	-11.96
Canada	8.30	96.34	99.25	96.76	8.41
Denmark	0.63	90.02	89.81	80.58	-10.28
France	0.80	89.69	79.72	84.39	5.86
Germany	0.83	89.96	82.19	80.06	8.89
Italy	0.94	93.59	92.42	90.05	9.26
Japan	6.88	94.36	93.45	95.80	2.51
Netherlands	1.52	87.00	92.45	85.11	-28.49
Spain	0.50	90.80	92.82	83.07	-11.04
Sweden	0.20	79.54	80.82	66.56	-37.33
Switzerland	18.46	95.27	91.57	91.94	0.82
UK	19.28	97.10	92.63	97.24	5.06
Eurobonds	37.57	85.28	80.57	86.88	10.08

*The purpose of the settlement benchmark is to provide a means of comparing the settlement efficiency of different markets and to track the evolution of settlement performance in individual markets over time. The benchmark incorporates the four components which, combined together, reflect the overall cost to market participants of failed trades. These include average trade size, local market interest rates, the proportion of trades that fail, and the length of time for which they fail. By converting information back into a base currency, comparisons between markets become possible. The benchmarks are expressed as a score out of a maximum 100. The lower the score the higher the effective operational costs of failed transactions in any given market. Source: GICIS Benchmark.

for lending at high margins. Brokers eager to sell shares to clients find they may not be able to obtain them outright and borrow them from intermediaries to make good delivery.

As more investors become willing to lend, margins come down. In Japan, for instance, margins have fallen from three percentage points a few years ago to roughly 0.3 per cent at present.

"Securities lending has become a much bigger part of the business," said Charles Cassidy, senior vice-president at State Street Bank in charge of financial asset servicing in Europe. State Street has roughly \$200bn in custody accounts which clients have given permission to lend.

"That is a significant increase over the past year when we had about \$30bn in total that clients were willing to lend," he said. About 25 per cent is out on loan at any one time, he said. The biggest participants are the large public sector pension funds whose knowledge and sophistication

attractive returns.

Mark Weeks, marketing director at London Global Securities, an independent stock lending intermediary, notes that in the UK, the disappearance of more than \$440m from pension funds formerly controlled by the late Robert Maxwell had tarnished the image of stock lending and given trustees a justification for avoiding the practice. "In a relatively risk-free environment, you can make a certain amount of money. So why would you turn it down?" Mr Weeks argues. London Global is one of the few lending intermediaries which acts as principal in stock-borrowing agreements, a status which many pension trustees say gives them greater comfort. If the borrower disappears with the stock, London Global makes good any loss.

Moreover, all stock lending - unlike that allegedly carried on by the Maxwell-controlled pension funds - is collateralised. London Global, an unusual outfit in that it unbundles the custody activity from that of

Harris took a \$33m write-off to reflect more than \$51m in losses stemming from a decision to invest held against client loans of securities in volatile collateralised mortgage obligations.

While these offer relatively low counterparty risk, they face significant market risk and fell sharply in value when interest rates rose earlier this year. Harris, which says it ranks among the top US-based global custodians, "made whole" all of its clients which had sustained the losses. Moreover, a spokeswoman said that Harris has revised its internal risk management procedures as a result.

Typically, Mr Weeks notes, there are three types of collateral which institutions regard as acceptable. These are cash, letters of credit and Treasury bills. Mr Weeks says because client agreements usually promise an end-client a set rate of return, say 3 per cent, there is an incentive for custodians to try to earn an extra turn for themselves by investing in modestly riskier investments.

The rapidly growing derivatives industry has faced some setbacks this year, with a string of highly publicised corporate losses and two legal actions denting its image.

Yet underlying growth in the use of derivatives - both simpler options and futures traded on exchanges and the more complex swaps and packages bought over the counter - has continued apace.

As a result the demands on banks to adapt their custodial functions to accommodate derivative instruments are rising. Global custodians are in little doubt about the pace of change.

"We have seen a huge increase in interest among certain types of client, including fund and investment managers who are looking to get the custody of traditional securities and derivatives in one place," says Aidan Dennis, vice-president global securities services at Chase Manhattan.

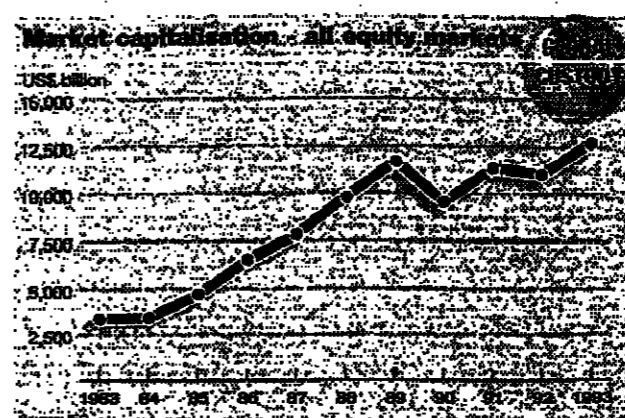
"Two years ago nobody used to ask about derivatives when they submitted a 'request for proposal' [industry jargon for the detailed proposals made by clients to their custodians]. Every request I have received in the last six months has contained something on derivatives. It is quite unbelievable. Everyone is asking for it," adds Mr Dennis.

"Up to two years ago there was nothing on derivatives. It is beginning to appear now," says Dick Feehan, a managing director at Bankers Trust. "There used to be a dichotomy between the rocket science grand masters who were designing the products and the back offices who were reporting on them. That gap no longer exists," he adds.

Increasingly fund managers - even at conservative investment institutions such as UK life offices - are using derivatives, for purposes such as tactical asset allocation. Bankers Trust estimates that up to 50 per cent of fund managers with more than \$500m under management are using or reviewing their use of derivatives.

The pressures on custodians who have traditionally supplied a range of core services such as settlement, safekeeping, dividend collection and tax-related services for physical assets are growing.

"Custodians tended to adopt an ostrich approach and duck their heads in the sand. They can't do that any longer," says



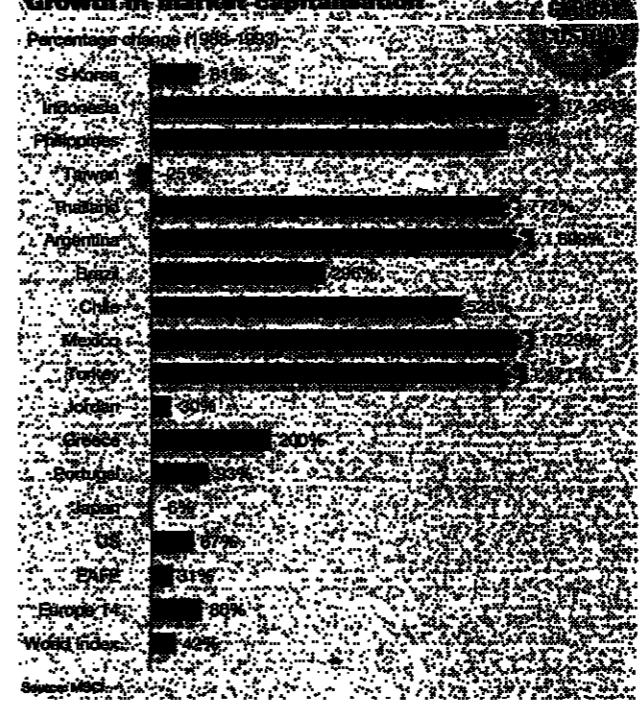
Derivatives: Richard Lapper on the growth of the industry

Custodians face rising demand

Mr Feehan, who adds that the demand for derivatives-related services is part of growing interest in other "value-added" services, such as accounting, valuation, foreign exchange, and cash management.

Indeed, global custodians can help streamline information gathering, reporting and accountancy procedures. A custodian, for example, can facilitate central clearing of all contracts traded on an international exchange such as Liffe or the Chicago Board of Trade. This can help consolidate and streamline the payment of margin, the capital

growth in market capitalisation.



needed to uphold positions. "The whole idea is to get all your positions with one global clearing broker rather than with a multitude of brokers round the world. You get all the information in one place," explains Mr Dennis. "Without centralised brokers you could be paying margin to 15 different places - you could be getting 15 sets of reports back and the back office would be swamped."

Custodians can also help traders manage their trading positions better by more effective use of netting off - offsetting different sets of credits and debits.

"A custodial system can make it easier for investors to manage their physical and derivative assets in a more effective way for reporting purposes. If you are long individual stocks in the FTSE and short FTSE futures contracts - then from an exposure viewpoint you would need to net the positions off," adds Mr Dennis.

Mr Feehan also emphasises the value of uniform reporting. "Some organisations come to us who are investing in derivatives, but who are putting their investments out with seven or eight separate fund managers who specialise in different areas. We can supply a combination of reports to cover and consolidate the whole portfolio," he explains.

Again with exchange traded products, investors are moving towards a single point of settlement and clearing. "This is for convenience, cost and reporting," adds Mr Dennis. "A single information flow is what it is all about. It should allow them to make better investment decisions."

Not all banks are up to meeting the challenge. The complexity of the instruments involved, and their relationship with the rest of an investment portfolio, requires more sophisticated reporting than straightforward equity or bond trades, as well as strong operational support.

Practitioners emphasise two problems in particular. First, the accounting treatment for derivatives can vary from that of other securities and may vary from region to region. "For example, it is very common to account for securities on an average cost basis, but most customers run their

Continued on page 7

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GLOBAL CUSTODY 7



Lee Adams: a universal language will save money

Technology: Sheila Jones on a common language

Getting the right message across

The Holy Grail of the custody industry is a universal language that will enable operators to talk to each other across the globe unhindered. Armies of people representing custodians, fund managers, and a host of other groups have been meeting in Europe and the US in an attempt to establish common messaging standards in the way trades are confirmed and settled. They want a language to carry the billions of pieces of information, or messages, about transactions daily between custodians and their clients.

Most people in the industry agree that the need to speed processing through a universal language is urgent, particularly as settlement periods become shorter.

"When 30 per cent of your messages are on free format

A language is needed to carry the billions of pieces of information about transactions daily between custodians and their clients

[unrecognised universally], and you're having to interpret them and then relay them, that is what the urgency is about," says John Gubert, senior manager of group securities services at HSBC Holdings.

"A universal language allows you to receive messages and read them without human intervention. It takes out the time needed to manually load messages, and it removes an element of error when messages are being rekeyed. It speeds processes at a time of faster and faster settlement."

Mr Gubert predicts that by the end of the decade, 50-60 per cent of trades will be settled on the day of trade, and the rest within three days.

Lee Adams, a vice-president at Citibank responsible for product development, echoes Mr Gubert's view: "A fund manager told me recently that they dealt with 40 different custodians - unless those 40 custodians agree to use the same format, the poor fund manager is going to be receiving messages possibly in 40 different languages."

Mr Adams also believes a universal language will save money, increase efficiency, and reduce risk. It will "close the loop" in the industry's automation.

The main industry body working on standards is the Industry Standardisation for Institutional Trade Communication (ISITC), an independent forum of representatives in the US and Europe. The ISITC

works closely with Swift, the dominant message network provider, in looking at building on Swift messages, extending their use across the industry and creating new standards. A primary role is to develop formats for messages that can be used across a range of networks throughout the global industry.

The ISITC is making progress, according to one analyst, "but it is a bit like watching a swan on water - it is serene on the surface, but its feet are working away underneath".

The ISITC's work, and that carried out by other groups, is co-ordinated by the Securities Standards Advisory Board, which was set up two years ago to bring together the various strands of work already under way.

Mr Gubert fears that attempts to create a universal messaging system are being hampered by the perceived need for consensus. He believes the industry needs to find a fast-track route, which means "in some ways being dictatorial".

"The trouble with consensus is that if custodian A wants to use eight characters as an ID code and B wants to use 12, there is no possibility of a consensus, so you need an arbiter/dictator," he says. "Inevitably that will be the big boys, and people will squeal like mad, but they are the ones handling the bulk of messages. You have to do it with a small group of operators to get standards on networks which are then used. That's effectively what the ISITC is doing to a great extent."

Many in the industry acknowledge there is much co-operation between the various bodies involved in creating messaging standards, but some also fear the process is bureaucratic and slow moving, and that work on standards is being fragmented and duplicated. Rivalry between different standards groups has created a "bugger's middle", according to one custodian.

Simon Pilkington, chairman of the ISITC in Europe, says he believes some of the criticism stems from "misunderstandings and confusion" about the position of the various groups in the process and with each other.

The ISITC agreed an equity and fixed income standard in September last year, and its working groups are now looking at the other main areas: reconciliation and corporate actions, derivatives and foreign exchange. Lee Adams, at Citibank, sits on the ISITC's corporate actions working group. He says a draft standard for a type of mandatory corpo-

rate action should be agreed by the end of this year, before going to the implementation stage.

Mr Gubert believes any one of three outcomes is likely by the end of the decade: the status quo; a technical solution that is too technical for the users; or a fast-track solution dominated by the largest operators.

"World number one is the one in which there is total confusion - as there is at the moment - as to what a precise standard is." Different custodians communicating in their own, proprietary, language is costing the industry "millions of dollars", says Mr Gubert. Each message has to be translated, by computer or manually. For small operators, the big costs could come on the capital side as new standards

Consensus, while hard to achieve, is the only way the industry as a whole can embrace new standards and make them work

are implemented and systems have to be upgraded or replaced.

"The second world is where we see the emergence of a massive data dictionary - a bible - which people find very difficult to understand and to implement. So we will have a technical solution but the solution will be too complex."

Mr Gubert's third, and favoured option, is the emergence of a fast-track of a limited number of operators that already handles most of the business. "It has to be a very prescriptive mechanism to implement standards that will cover the vast bulk of our message requirements."

He acknowledges this could create culture and status problems: "People don't like being left off the list." But he believes it is the only realistic approach and the one most likely to satisfy the needs of the largest portion of the business.

Yet others argue that consensus, while hard to achieve, is the only way the industry as a whole can embrace new standards and make them work.

"To make this work we need to get as wide an agreement and as wide a participation as possible," says Mr Adams. "Everyone's got everything to gain. If we don't do this, we will be just right back where we started, so we tend towards the 80-20 rule. If you try to automate everything you're going to fail, and fail big-time. You've got to concentrate on what is really important."

Custodians face rising demand

Continued from page 6

derivative portfolios on a first in/first out basis," notes Mr Dennis.

Second, the industry has a considerable amount of work to do and this suggests the need for standardisation. In the securities business the practices have been partially harmonised and there has been a move towards the use of international security

identification numbers. Unfortunately there are no comparable standards existing in the derivatives markets and this is partially because of the life span of derivative products.

"With the addition of a variety of strike prices and delivery months there may be more than 50 different contracts available on the same underlying instruments at any given time.

"Clearly the amount of time and effort required to maintain individual codes for such a universe would outweigh the benefits of standardisation," points out Mr Dennis.

"But the need to standardise the methods of communication remains as does the need to have a standard method of creating international security identification numbers," he adds.

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Although the flow of funds into the world's emerging markets has eased in 1994, following a phenomenal burst of activity during 1993, their attractiveness as long-term asset investments remains undiminished.

According to Standard Chartered Bank the size of emerging markets in terms of market capitalisation is set to double in five years, from its present level of around \$2,000bn, while other commentators point to the fact that if the economies of the world's emerging markets continue to develop at the rate of growth witnessed recently then, in about 20 years' time, they could account for around half the world's equity market capitalisation.

No wonder then that custodians have, in general, not seen a significant slowing in the generation of business, particularly as fund managers explore the possibilities of entering hitherto uncharted waters.

While risks remain in many markets custodians note that in some cases settlement can actually be easier to execute than in some developed markets. For instance, says Paul Bellamy, manager in custody operations at Robert Fleming, some emerging markets are already Swift-orientated, particularly in the Middle East, and have already moved to paperless trading systems.

Nevertheless, it is clear that significant problems arise when investing in such frontier markets as Russia. Citibank raises a cautionary tale regarding Russia where demand is not necessarily supported by the accessibility or availability of securities. There is no traditional equity market at present with a voucher system in operation. "The only way of ascertaining whether an investor owns vouchers is to obtain a photocopy of the investor list from the registrar," says the bank. "A photocopy provides no comfort that one is actually the beneficial owner of the vouchers and the law is unclear on these issues. On the one hand, there are huge potential returns to be had, but these could prove to be worthless if the voucher is also owned by three or four other investors."

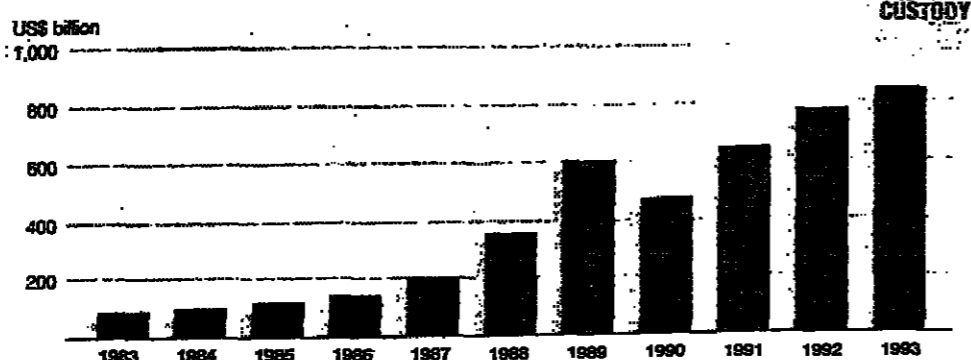
Mark Mobius, of Templeton Emerging Markets Fund, notes that the question of risk allocation and control has not been fully and completely addressed.

"In the corporate arena the challenges are great indeed."

Emerging markets: John Pitt on the risks encountered in some countries

Frontier areas pose problems

Market capitalisation - emerging markets



Allocations to emerging markets



The first difficulty is identifying the existence of those corporate actions, when they are taking place and what are the 'ex dates' and 'pay dates'. Information flows about such matters are not ideal in emerging markets so that the custodian's task moves to a high level of difficulty necessitating an extra degree of care not normally associated with custodial responsibilities.

"Co-mingling of client accounts by custodial banks presents another challenge to emerging market investors. It is clear that in many accounts in emerging country sub-custody banks, assets of different investors are co-mingled so that in the event of mishap such as counterfeit securities, tracing the actual owner of the worthless securities becomes a major problem. Clients should demand separated accounts to ensure the viability of their holdings."

Another important problem is the lack of foreign exchange convertibility. Venezuela is a

typical example where there is no procedure for repatriation, while in South Korea, since the currency is not traded in London, for instance, conversion can only be done in Seoul, and custodians are dependent on a sub-custodian.

Karen Jones, vice-president, regional network manager at Chase Manhattan Bank, also illustrates the example of Morocco.

"Morocco is an old-fashioned physical market, and the main problem here is to do with foreign exchange. For instance, settlement on the stock exchange is T+1 but there is no way that an investor can get foreign exchange process in that time - it is more like T+4. The way round this is that people agree to trade a few days ahead, agree a price and book the trade for a few days later when the forex deal has been completed."

She remarks that growth in activity has been seen this year in eastern Europe and Africa, both north and south.

In Africa the most prominent countries attracting investment have been Morocco, Egypt, South Africa, Zimbabwe and Botswana. In eastern Europe there has been an increasing interest in Hungary and the Czech Republic. The latter has not been an easy market to open, but having managed to get into place, Ms Jones says, Chase has seen a growth of interest, even though it will be some time yet before the country is ready to open for foreign investment.

Chase has been working with a local bank in the Czech Republic, although there are some basic problems in the way the market is structured. "For example," she notes, "the local sub-custodians are not able to have accounts in the central depository: it has to be the investors themselves."

This means that you have to set up powers of attorney allowing the sub-custodians the legal right to settle the trade when they physically go to the central depository.

"In the Czech Republic the majority of trading happens off market, with a few large trades. It is supposedly a scripless system, but to ensure that you are actually getting settlement you have to physically go to the central depository and witness the confirmation. However, this process should change over time and there will eventually be on-line settlement."

India has long been a significant problem for institutional investors. Sanjit Talukdar, head of the India desk at For-

eign & Colonial, observes that problems with custody have been one of the biggest obstacles to the development of the Indian markets.

This year, for instance, close to \$100m has been turned away because of custody problems. International fund managers cannot use local custodians because often they do not meet international regulations.

With deregulation of the market, foreign institutions and private sector mutual funds have become active, largely interested in block deals off market in B shares, which have a seven-day account cycle.

Since these trades are not executed through the exchange, prices are not transparent. Paradoxically, therefore, India is one market where transparency has fallen with the rise in turnover, he says.

Another problem endemic to India is the sheer volume of paper work generated, the main reason why more and more trade has successfully moved off-shore into global depository receipts GDRs, which the Indian authorities have been happy to see take place.

There are vested interests against change, such as the establishment of a central depository system. This would, in western terms, be the best solution to the current difficulties.

Next best would be instead of trying to get rid of the system as it stands, trying to tweak it at the edges.

An attempt to do this has been the introduction of so-called "jumbo certificates". Typically, Indians deal in small lots, that is 50 to 100 shares. The jumbo is a deal of at least 1,000 shares, but because the retail market is not used to dealing in such large amounts a different price is fixed.

Many custodians expect to see an increase in volume, since the allocation of funds to emerging markets is rising regardless of whether the markets themselves are going up or down. Citibank, for instance, has plans to expand its custody network to include 20 more countries by 1995, including the opening of a safekeeping facility in Moscow and custody services in a number of African countries.

Chase's Karen Jones suggests that investors have to be open-minded regarding investment in new emerging markets and to work with them. Chase, she says, spends a lot of its time training sub-custodians.

India: Naazneen Karmali discusses antiquated procedures

A paper mountain

Inadequate custodial capacity is a significant road block to foreign portfolio investments in India's stock markets. The value of such investments, which have been permitted by the Indian government since January 1993, were \$2.75bn at the end of September 1994. While this figure represents only a small percentage of the total market capitalisation of \$100bn, it is expected to increase steadily. It is estimated that portfolio investments and Euroissues by Indian companies would amount to \$8m-\$10m by March 1995. The number of foreign institutional investors registered with the Securities Exchange Board of India (Sebi), the regulatory authority, has increased from 136 to 228 since January this year.

The entry of these large investors has put tremendous pressure on the few banks that provide custodial services. Transactions are heavily paper-oriented and require physical delivery of shares. Each share certificate has to be individually signed along with a transfer deed. What makes it more cumbersome is that marketable lots are small. The Bombay Stock Exchange, for example, which accounts for 70 per cent of the trading in the secondary market, recognises lots no larger than 50 or 100 shares.

"The problem in India is that there's paper, paper and more paper," says Steve Page, senior manager securities services, Hongkong and Shanghai Banking Corporation. "It is a retail system that finds it difficult to cope with the demands of wholesale investors."

Last December, when foreign portfolio investment touched \$1bn, custodians were overwhelmed by the masses of paper flooding through their doors. Confronted by a huge backlog in processing, they imposed strict trading limits on their clients. New business was turned away.

To cope with the increased workload, custodians have been building capacity by hiring more vault space and staff. Hongkong Bank and Citibank, the two biggest providers of custodial services to foreign clients, have more than doubled capacity. Mr

Page says that Hongkong Bank's vault space is 200 per cent larger and the number of people in his department has increased from 40 to 180. Some work has also been subcontracted out.

All this has only been enough to meet the demands of existing clients. Trading limits have been revised upwards, but still exist. Custodians are not open for new business as yet. Mr Page says that there is a direct correlation between the number of shares and the number of people necessary to process them. The infrastructure costs of a custodial service in India are inordinately high and have kept other custodians away. Now service providers are slowly entering the market. Deutsche Bank began operations last month and ABN Amro has announced that it will be in business shortly.

Standard Chartered Bank's Equitor Group began in a limited way last week. It now concentrates on servicing a small group of 15 important clients. The banks put a bar code on every share certificate to track it at every stage of processing. Colin Beattie, regional head of custody, south Asia, says: "We had to put such innovations in place before we reached a critical level. Bringing off-the-shelf systems are not any good for Bombay."

Indian banks and financial institutions such as the Unit Trust of India and the Housing Development and Finance Corporation, are keen to establish custodial services. The State Bank of India, the country's largest public sector bank, has opened a securities services branch in Bombay that is custodian to some offshore, country-dedicated funds.

The custodian with the largest capacity is the stock holding Corporation of India, a company launched by Indian financial institutions in 1988. It could take on more business but is constrained by its small capital base of \$200m from seeking foreign clients. The corporation's custodial assets of \$23m belong to domestic mutual funds and Indian financial institutions. Last year, it processed transactions worth \$2.3bn and Mr R. Chandrasekaran, managing director, expects business of \$5bn this year. He says that

by the third quarter of 1995 a new depository will be constructed near Bombay with a capacity to hold 35bn share certificates. This will have an automated storage and retrieval system on a par with international standards. The corporation is keen to collaborate with a global custodian as that will allow it to take on foreign clients. Morgan Stanley is a possible partner.

Foreign custodians believe that solving problems is at best a temporary measure and does not address the more systemic issues. One way forward, they have suggested, is to introduce institutionalised lots of 1,000 or more shares. While the idea still favours with Sebi, fund managers and brokers have been resisting it. They fear that their holdings would become illiquid and this would result in the additional headache of having to split large certificates into smaller ones.

To ease the paperwork, custodians were earlier allowed to introduce jumbo transfer deeds that covered each transaction. Companies have also begun issuing jumbo share certificates. Though the Bombay Stock Exchange does not accept these as good deliveries, Sebi has recently approved the proposal that custodians trade institutional board lots between themselves.

This would bring down the risk factor relating to bad deliveries which amount to 20 per cent at present. Delays in settlement, which occur eight times out of 10 would get eliminated. Mr Page says that in a few cases, shares are rejected by registrars and have to be sent back to the brokers. This increases risks to investors who have to wait six months before shares are registered in their names. A two-tier market would reduce problems all around. Custodians say that if the institutional market does kick off then it would lead to a paperless trading system and a central securities depository.

The government is expected to introduce legislation on a central depository by the year end. The option of multi-depositories, one for each region, is also being considered. The stock-holding corporation would like to be appointed as central depository and is working towards it. Fund managers do not expect this to happen quickly.

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مكتبة المجلد

GLOBAL CUSTODY 9

Russia: Nicholas Denton discusses the challenges of the final frontier

Where 'dead souls' and fake shares abound

Custody services tend not to be noticed when they work. They are the poor cousins of the securities industry, consigned to the back office and out of the spotlight.

Only when safekeeping of securities and settlement of transactions are flawed does it become clear how vital they are to functioning markets. And in few places is custody less developed, and more of an issue, than in Russia. Observers call it "the single biggest deterrent" to western investment in Russia.

None of the usual assumptions apply. Russia has no paper traded system because share certificates do not exist. Instead, the evidence of ownership is a name in a registrar's book. For a share transaction to take place an agent, or agents, for both buyer and seller have to go physically to the company's registrar and re-register ownership.

That is easier said than

There is no paper-traded system because share certificates do not exist

done. There are about 3,000 registrars and those for many of the most attractive companies, the energy giants, are far from Moscow and St Petersburg.

This logistical morass has given rise to a mini-industry in the sale of shares by brokers who do not actually own them. Apart from physically inspecting a share register, the only evidence a purchaser has that he is buying shares from their rightful owner is an extract from the official share register.

But, as a western banker in Moscow explained, "if you are willing to pay for an extract, you can get as many as you like". So, although none admit to having been duped, themselves, Russian bankers say that some businessmen, particularly in the provinces, are doing a steady trade in fake extracts. The unfortunate buyers learn only when they try to add their names to the official register and discover that their vendor does not appear.

These fake extracts are coming to be known as "dead souls" in a reference to the eponymous 19th century Russian novel by Nikolai Gogol, whose hero bought up documents establishing his ownership of serfs who were no longer living. After the liberation of the serfs the Tsarist government compensated their former owners, a scheme which Gogol's hero cashed in on, using his profits of ownership of "dead souls".

But even for careful investors, who avoid buying fake shares by sending their agents to personally inspect the share register in Siberia, or wherever it happens to be located, the difficulties have only begun. A registrar is allowed to take up to three days to alter the books and the agent may have to hang around and queue. The official is allowed to charge a transaction tax and the rate can reach as high as 5 per cent of the value of the deal.

That is, if the buyer is lucky. The official will sometimes decide that a piece of paperwork is missing and send the agent back to Moscow. Some companies such as Gazprom, the Russian gas giant, can obstruct by exercising its right of first refusal and offering a laughable price to the seller.

Getting hold of shares is difficult enough; safeguarding them is a more fundamental problem. According to Russian law, any enterprise with more than 1,000 shareholders is obliged to entrust its register to a "separate" organisation. But, in practice, many of the registrars are controlled directly by the company and are often located in the company's headquarters.

The overpowering fear of western investors is that their shares will disappear from the record. A registrar, influenced by the issuer, could in theory just say that an investor had sold its shares. The registration book could be stolen or destroyed in a fire. "It could be an effort to defraud, to lie, or just a simple error," says Ms Yvonne Rogers, head of settlement for Chase Manhattan in Moscow.

That is precisely what Transworld, a London-based company which dominates the Russian metals trade, alleges occurred at the Krasnoyarsk Aluminium Smelter, one of the world's largest aluminium

producers. Transworld alleges, and factory officials confirm, that a 20 per cent stake in the smelter (worth \$300m) controlled by Transworld was deleted from the records by factory administrators.

Officials at the Krasnoyarsk smelter say they deleted Transworld holdings from their books because of irregularities in Transworld's initial purchase of the shares. But western investors are troubled by a system which gives factory directors - who are often hostile to outside buyers - the unilateral authority to alter shareholder registers.

This danger can be minimised by regular audits by the custodian of the registrar and confirmation of the shareholding. But that does not prevent over-issues: whereby the registrar arbitrarily creates new shares and dilutes an existing owner's stake.

Regulators, rather than custodians themselves, ought to be dealing with abuses by registrars but they do not. One custodian says: "The regulatory regime is appalling. It has as many holes as a piece of cheese. And the authorities don't enforce any of it anyway."

The problems do not stop there. Collection of dividends, a customary responsibility of custodians, adds a new layer of work. Some Russian companies, lacking liquid assets, offer their products as a dividend payment. A vacuum cleaner company would issue a dividend in vacuum cleaners.

Money dividend payments are complicated by the inadequacy of the banking system. A bank transfer does not generally make clear the source of the dividend payment which can be confusing for an investor with a varied portfolio.

An investor, or its custodian, faces a challenge, too, in learning of shareholder meetings. The postal service is inefficient and often notification arrives after the event takes place. Companies are obliged to publish details of shareholder meetings in a widely-read publication but many print the information in the local works newspaper and leave it at that.

No wonder one custodian says: "You need a good sense of humour." But many serious investors are not laughing. Paul Greatbatch, of emerging markets fund manager Gene-

The fear of western investors is that their shares will vanish

sis, says: "We have chosen not to go into Russia on the basis that there is no suitable custody. There is no one there that can guarantee you title to the shares that you own."

Pension fund investors are even more cautious and US-based institutions have a legal requirement to ensure that custody and settlement are secure. "We clearly need proper custody for the big institutions to move in," says Nancy Curtin, head of emerging European markets for Barings Asset Management.

The hunger of western institutional investors for Russian shares, together with their concern about custody, give birth to a significant opening for providers of custodian services. CS First Boston, the leading international investment bank in Moscow, has built its dominant market position on the comfort it provides for western investors.

But CSFB's custodian services are secondary to its broking operations and institutions prefer to deal with independent custodians. Banks such as Chase Manhattan, Citibank and ING Bank are now responding to demand and exploring the establishment of asset servicing units.

Costs will be high. Chase Manhattan expects to hire six staff just to fly to distant corners of Russia and register shares. A flight from Moscow to Vladivostok can cost \$650 and hotel bills for extended stays add up. Nevertheless fees will be commensurate above western levels. Custodians in any case say they are setting up Russian operations to provide a full service for international clients rather than to make fat profits.

Then there is also the challenge. Russia is the final frontier. But Yvonne Rogers, of Chase, is not so sure that custodians, much-maligned for being boring, will find excitement in the east. "Custodians are a conservative bunch. I'm not sure whether this thing is good for their heart rate."

The Pacific Rim: Louise Lucas on the eastward-bound stampede

Unravelling the nightmare

Street.

Equitor Group was closed to new business in Malaysia for six months, after expanding the local staff base to 225 at the peak (in March this year) from 45 at the beginning of 1993. Citibank, after closing its doors in Malaysia, is now open on a selective basis.

Even worse problems were encountered in India, where a US\$250,000 deal can translate

The western institutions are the most demanding investors the Asian markets have met

into a truckload of scrip, bringing an "unduly high" degree of risk to the custodian and his clients.

Says David Handmaker, vice-president at JP Morgan in Hong Kong: "The western institutions are the most demanding investors the Asian markets have met. They invest huge amounts of money, they come from mature markets and expect things to look as clean and as easy through the global custodian on a new market as happens on the stock exchanges of New York or London. Their job is to seek returns and they cannot sit

and wait for custodians to make the markets efficient."

But the markets are becoming more efficient, as governments - often advised by the custodians - seek to eliminate the problems of the past years. In the Philippines briefs have already gone out to tender and Indonesia plans to move to a central depository system starting from the middle of next year. In Kuala Lumpur automation is already under way.

Other Asian markets were quicker off the mark, including Hong Kong, Thailand, Taiwan and Sri Lanka, which last put in fully automated and clearing systems before the floods of money came rushing in.

Among the emerging markets, China scores highest in terms of efficiency as the country's two exchanges started life with scrippless systems. Custodians such as Citibank worked to the stock exchange in Shanghai to devise processes and procedures when it set up its central depository.

Christine Tam, vice-president of Citibank in Hong Kong, says: "In China we sat down with the stock exchange officials and went through the procedures with them and explained international investors' perspective and percep-

tion of risk. Then we helped develop a system to box in those risks. This is the advantage of China over a paper-based system - it started with a blank piece of paper, so there was not masses of paper, registrars or existing processes to work with."

A further demonstration of the global custodians' role in weaning emerging markets towards maturity came when the Malaysian central bank, in a bid to quell speculation in the ringgit, insisted foreign banks with big ringgit deposits pay a reserve on those deposits - a move tantamount to telling foreign depositors their money would earn negative 3 per cent interest.

For the banks who were holding cash on behalf of investors waiting to buy stock this was a nightmare. Mr Handmaker says it was down to the global custodians to explain the situation to investors, to absorb the 3 per cent levy, and to sit down with officials of Bank Negara and explain that not all deposits added up to currency speculation, but were instead a symptom of the settlement system then operating in Kuala Lumpur.

The flip side of greater sophistication and automation

in emerging markets is that new entrants are enticed in and customers expect to pay less for the custodians' services.

Competition in Asia has grown, and custodians talk of pitches where the contract is carried off by the manager quoting zero fees (looking to earn his living from added services such as stock lending).

Mr Doo says: "From what

The markets are becoming more efficient, as governments seek to eliminate past problems

people are saying in the market place, there might be a big shake-out among the big global custodians in the coming two years. There are just too many competitors."

For the global custodians it has also become more competitive, says Mr Handmaker. "Any pressure the sub-custodians see first. It is common for people to say to global custodians: 'You are just the conduit, why am I paying you so much money?' So the global custodian goes to the sub-custodian and cuts him down. Both the global and sub-cus-

dians are always running to catch up."

Custodians are responding to this pressure by ensuring pricing is competitive and beefing up the services offered; both vanilla services such as information and trade settlement, and newer added value services such as proxy voting (as pension funds, especially American ones, play a more active shareholding role), catering for individual investment decisions within pension funds, contractual income and settlement or stock lending. Demand for custody of fixed income instruments in the Asia Pacific regions is also expected to grow.

State Street, like Citibank one of the world's top five biggest global custodians, adds value in the area of technology, which it uses to produce high value custody services such as performance measurement and portfolio analysis, which looks at investment returns, risk, currency attribution, trade execution (for example comparing broker commission against strike price over a period of time to see how efficient brokers are), soft dollar information, currency overlay management and universe comparisons.

Robert Williams, managing director of State Street in Hong Kong, says: "Very few clients only use us for custody. That cross-selling is what tends to protect your margins as your product matures. But part of it also is to keep the product young, to keep enhancing it."

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GLOBAL CUSTODY 10

Voting rights: Norma Cohen looks at the procedures for shareholders

The cost of making your voice heard

It is one thing for institutional investors to flex their collective muscles under the gaze of companies whose shares they own, but it is quite another to deliver the knock-out punch that sends an entrenched, inefficient and profligate management into the history books.

For that, investors say, what you need is a really good custodian, particularly if you are talking about making your voice heard at companies you own abroad.

Since 1988, the US Department of Labour has interpreted the ERISA laws, setting out the rules under which US pension schemes are to be administered, to mean that there is an obligation to scheme members to exercise their rights at companies in which they have a stake.

As a result, custodians estimate that US pension funds vote nearly all the time and on every issue which is laid before shareholders at domestic corporations.

Investors in other countries are far less diligent about voting their shares, but are increasingly interested. In the UK, the National Association of Pension Funds, through its

Voting Issues Service, is calling shareholder attention to contentious items on corporate agendas at the annual general meeting. The NAPF says the incidence of corporate voting has risen dramatically from the less than 20 per cent level recorded just a few years ago.

Voting on foreign shares by British shareholders, however, remains sketchy. In July, the US Department of Labour clarified the obligations of US pension funds to vote their foreign proxies, saying that there is the same obligation to vote shares abroad as there is to vote them at home.

"What do clients want?" asked Meade Reynolds, manager of global corporate actions in the global custody division of Mellon Trust. "Basically they want a vote in every single market and at every annual general meeting in every market they are in."

Clients not only want to vote, they want to know the

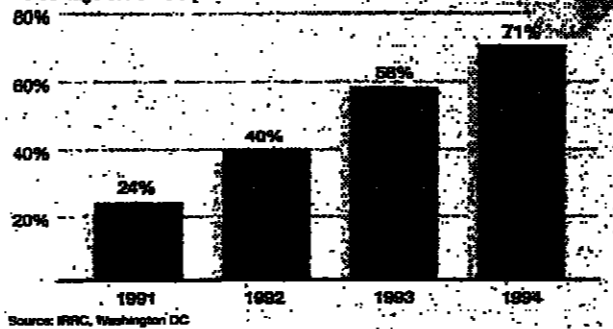
substance of issues they are voting on. For instance, Mr Reynolds said, if a new firm of auditors is appointed, clients want to know more about the previous firm. Also, clients want to see proof that their votes were actually cast.

Service of this type is clearly likely to be costly. Steven Davis of the Washington D.C.-based Investor Research and Responsibility Center (IRRC), says the Department of Labour does offer one caveat. "The Department said that pension plan officials can properly decline to vote a proxy where they judge that the costs would outweigh any benefits," he said.

However, because several of the large public sector schemes had been actively - and successfully - prodding their custodians to cut the cost of overseas voting for several years, there are few markets where it can be said there is no obligation to vote, Mr Davis said.

Global voting by US institutions

Percentage of non-US proxies voted



Source: IRRC, Washington DC

Indeed, Americans have been found to outnumber domestic shareholder voters in markets such as Australia and the Netherlands where locals do not have the instinctive urge to vote their proxies so conscientiously.

Among large schemes, the state of Connecticut has been successful in working with its

custodian for the past few years and is now able to vote in most markets in which it invests.

An IRRC study found that the percentage of non-US proxies voted has risen dramatically in the past few years from 24 per cent of all shares held in 1991 to 71 per cent.

Mr Reynolds said that Mel-

lon Trust, which operates in 48 foreign markets, takes the view that corporate actions and proxy voting are part of the entire package of services which a sub-custodian takes on when a contract is negotiated. Therefore, there should not be additional significant costs associated with it.

State Street Bank has also been successful in negotiating contracts with sub-custodians which envisage no additional charges for proxy voting services.

Mr Davis notes that until recently, many sub-custodians had to be dragged "kicking and screaming" to perform the task of proxy voting abroad. However, given growing client demand, some are now helping to alter rules in several countries which make the costs of voting unacceptably high.

Mellon Trust has compiled a list of the seven most expensive countries in which shareholders can exercise their vot-

ing rights, with Sweden leading the pack. There, an institutional investor must pay \$300 to cast a proxy ballot at a meeting.

Mr Reynolds explained that in Sweden, the authorities insist that the beneficial owner of shares be the actual voter. This requires the custodian to obtain a power of attorney to vote on the pension fund's behalf.

Also ranking among high-cost centres is Greece, where a proxy vote costs \$214, Finland, where the cost is \$213 and Italy, where the cost is \$128. In Italy, physical representation at an AGM is required so the sub-custodian also incurs the cost of air fares and/or hotel bills in proxy voting.

Other expensive countries are Argentina, Portugal and Venezuela where the cost is \$100 each.

Only these seven countries appear to feature proxy voting costs high enough to raise

questions about whether the effort is worth the expense, the IRRC said.

Other countries such as the UK, Australia and Hong Kong have made proxy voting easy and cheap, Mr Reynolds said.

But, Mr Reynolds says that nowhere is it as difficult to exercise voting rights as in Japan. "In Japan, 85 per cent of all companies hold their AGM on the same day. Information is given out only two weeks in advance and instructions on voting must be lodged 10 business days before the meeting."

Given the difficulties of translating a large volume of documents, sending the translations to shareholders and collecting the ballot cards, voting in Japan is a logistical nightmare. In June this year, on the day when most AGMs were held, Mr Reynolds said he travelled to Japan to hand-deliver the proxy votes and to attend one AGM.

But Mr Reynolds says that US funds generally believe proxy voting is worth it. "In Singapore and Malaysia, where companies pass these outrageous compensation packages for former directors, the Americans are saying 'No way'," he noted.

Sub-custodians: who bears the risk? Norma Cohen considers the options

New areas where traditionalists fear to tread

There are probably as many ways to spread the risk in dealing with sub-custodians as there are sub-custodians to share it, says Alistair Reid, of Barclays Global Securities Services.

The question of who bears the risk and how much it should cost is provoking increasing interest among clients, particularly as they move their investments into new markets where traditional custodians fear to tread.

"In the area of risk, the question of sub-custodian risk has taxed the market for some time," said Valentine Feerick, head of global trust and custody at Mellon Trust Europe. "There isn't another business in the world where you hire someone to do a job who isn't responsible for the work of a sub-contractor."

For the UK's Prudential, which has exited the global custody industry by deciding to outsource its \$40bn portfolio of UK and international securities, there was only one answer to the question.

"Sub-custodian risk is something we want nothing to do with," said David Hanson, a director of Prudential Portfolio Managers, the fund man-

agement arm of the UK life insurer.

In coming up with a shortlist of 10 international banks to compete for the contract, Mr Hanson said it was made clear that a condition of winning the contract would be that the bidder assume the risk of any failure to perform on the part of sub-custodians. Any bank which was not prepared to go some way towards that goal was removed from the shortlist, he said.

Of course, the Pru, with one of the world's largest global custody contracts to award, is in a secure position to demand exacting conditions of any bank. However, not all customers are in such an enviable position, nor are all of them sufficiently well-informed about the issue to make such a demand.

At Barclays, Mr Reid said, the bank stood behind its sub-custodian network, indemnifying clients against losses. Typ-

ically, Barclays uses its own branch network where possible, so that the number of sub-custodians is limited.

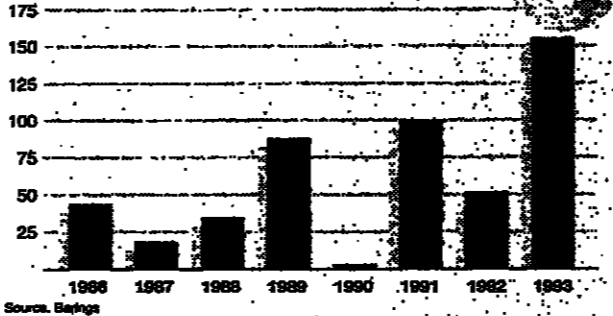
The most dangerous markets for investors are the emerging markets, where local banks which could act as sub-custodians may not be subject to sufficient regulation, or may not have the administrative capability to handle client custody.

Mr Reid noted that banks viewed some new markets as simply too risky to operate in successfully. They feel that clients wishing to invest in those markets may do so but at their own peril, and must be responsible for selecting the sub-custodian, and live with any losses.

Where a Barclays branch is used, the bank offers clients the opportunity to check their assets in the relevant country, he said. Where a sub-custodian is used, Barclays asks that bank's auditors to provide a "comfort letter" assuring Bar-

Net equity capital flows worldwide

US\$ billion



Source: Euromoney

clays that it is fulfilling its contractual obligations.

At Mellon, the bank will assume all the sub-custodian risk with the exception of events falling under the *force majeure* clause. "That means things like military coups," Mr Feerick explained. However, he notes, there is a price for assuming that risk. "You

might quote a slightly lower price for the service if the client assumes the risk."

Bank of New York, one of the world's largest global custodians, stands behind the sub-custodian for all operational errors, said Richard Crampton, managing director at BONY. "We will see our customer harmless and sort it out

with the sub-custodian."

One of the big concerns about sub-custodians is the local jurisprudence - the extent to which local law governing assets held in trust is likely to be upheld by the courts. "Once a year we get a lawyer to opine on the predictability of the courts in any country in which we operate," Mr Crampton said. Mr Crampton notes that the only law which forces custodians to monitor their sub-custodians is Rule 17-34 of the US Mutual Fund Act. This stipulates a minimum capital requirement for sub-custodians, and insists that they operate in environments where trust law is comparable with that in the US.

As a result, Mr Crampton said, "there are some central African countries where US mutual funds cannot invest", because they cannot find appropriate sub-custodial arrangements.

However, he said, it would

be unreasonable to expect BONY to guarantee the solvency of any sub-custodial bank. In any event, he added, most countries recognised the legal distinction between proprietary assets and those held in trust for others. Trust assets might not be claimed by a bank's creditors or regulators in most jurisdictions.

The only danger to clients comes through their cash balances, which may be held at a bank which suddenly becomes insolvent, Mr Crampton says. However, he offers the comforting thought that "in most of the really diabolical markets of this world, you wouldn't have much cash on deposit anyway."

Moreover, he says, in the newer emerging markets - and indeed, even in several mature markets - clients are at far greater risk from the clearing and settlement of securities transactions than they are from their local custo-

dian. The dangerous period is while a securities transaction is still waiting to settle, rather than afterwards.

At Morgan Stanley, the issue of sub-custodian risk is a significant one, because the investment bank has almost no custody branches outside the US and the UK. "We will indemnify clients against fraud, negligence and wilful misconduct," said Ross Whitehill, head of global custody. "If you don't do that, you miss out on most of the larger mandates."

Morgan Stanley says that, short of that, it will do everything it can to sort out operational errors, some of which are the result of the client failing to instruct the sub-custodian on time.

"We try to help," Mr Whitehill explained. However, the extent to which Morgan Stanley is prepared to bear its clients' sub-custodian losses is often a function of the value of the total account. "It gets down to how good the relationship is," he explained. For a client who had been squeezing the fees and routing other business elsewhere, Morgan Stanley would be less willing to cushion the loss.

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City in search of a higher status

Bristol has realised that it must take action if it is to improve its position in the league table of British cities. Roland Adburgham reports

Bristol is a city in search of a new role. It is the economic hub of south-west England and in the top 10 of UK cities in population. But two centuries ago, it was the second city in England. For generations, it complacently lost ground in terms of status.

The recession of the early 1990s caused attitudes to change. During the 1980s, Bristol and the surrounding county of Avon benefited from business relocations from south-east England and a rapid growth in the financial services industry. But the recession not only curbed that growth but coincided with the impact of the peace dividend on the defence and aerospace industries, an important part of the local economy. Only last week, another 550 redundancies were announced at British Aerospace's plant at Filton, north Bristol.

In consequence, the city has realised it must take action, if it is not to slip further down the league table of UK cities. There is a belated awareness that it has not fulfilled its potential.

That it has greater potential is undoubted. Mr Brian Leonard, director of the Government Office for the South West, one of England's new integrated regional offices, says: "It should be a top-flight national and European city. There is absolutely no reason why it can't be those things, because of its strengths - the strengths are enormous."

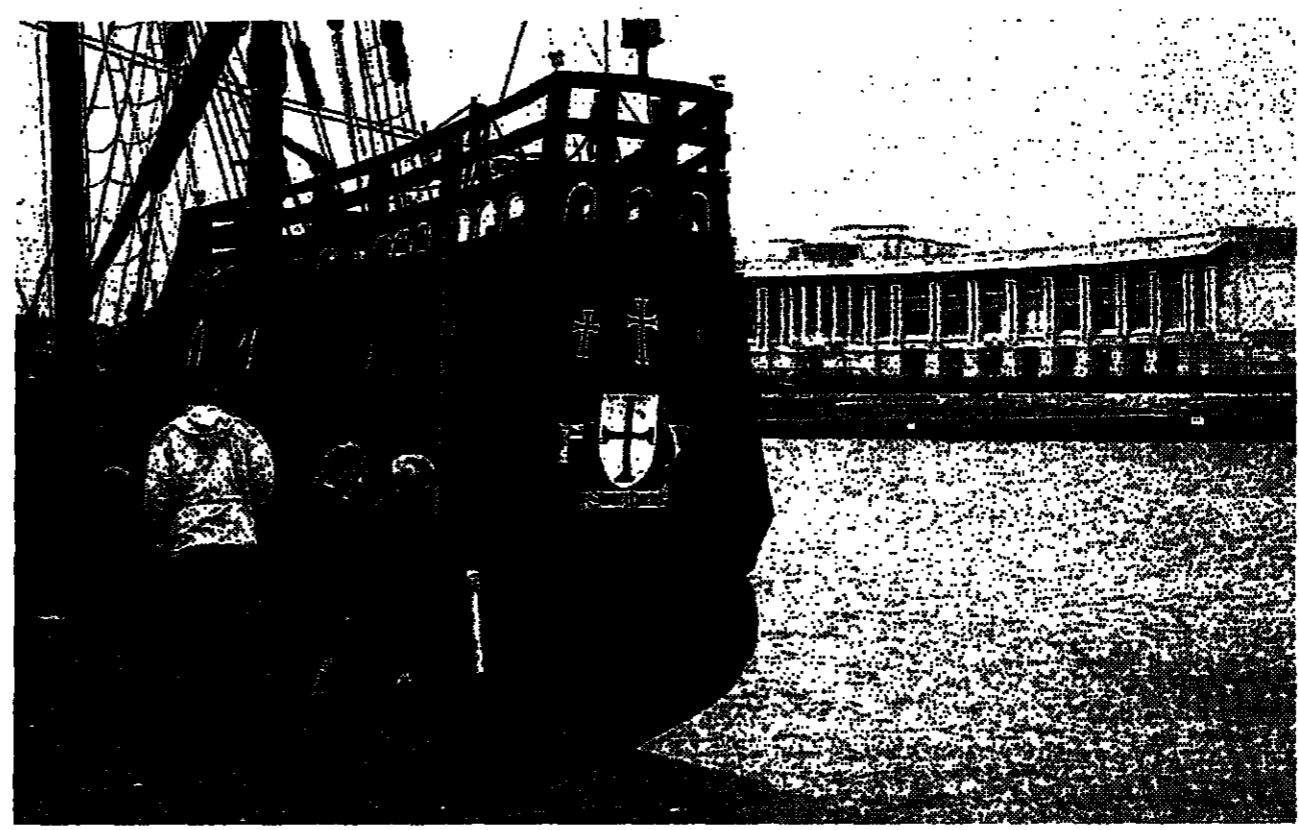
These include its proximity to the M4 and M5 motorway network, the existing Severn bridge to Wales and the second crossing, due to open in 1996. There are main-line railway

links and a thriving port, although the local road system is inadequate. The maritime and trading history - the Society of Merchant Venturers, founded in 1552, is still influential - gave the city six miles of quayside. There are handsome Georgian and Victorian buildings, even if the centre is despoiled by unsightly post-war blocks. And the county includes the world heritage city of Bath.

For employers, Bristol and Avon offer a high standard of education with three universities and a skilled workforce, especially in engineering and financial services. The west of England, according to an analysis by Coopers & Lybrand, the accountancy firm, is the largest UK regional centre for financial services in terms of employment. A survey this year of 500 executives, carried out for *Management Today* magazine and Black Horse Relocation Services, showed Bristol was the most popular choice for relocation.

The recession, however, showed up the weaknesses and caused Bristol to rethink its role. Perhaps because it offers an agreeable way of life, it is not a dynamic city - the only sense of urgency is at 5pm when people start heading for home. It lacks other qualities which make a great city, its shopping is outclassed by Bath and although it is seen as relatively prosperous, it has been regarded as a city riven by factionalism.

The business community viewed the Labour-led city council as welcoming and obstructive. Partly in consequence, most recent development has taken place to the north of the city, in another



Yesterday and tomorrow: replica of the 1492 Columbus vessel Santa Maria - and the new retail headquarters of Lloyds Bank. (Picture: Lynda van der Meer)

year is a recognition that there are problems which cannot be solved by individual interests doing their own thing, or waiting for the next cycle of the economy."

Mr Chris Curtis, director of the south-west Confederation of British Industry, comments: "We see at last local authorities realising that planning and land-use policies have a direct bearing on economic growth - at last, that is realised in Bristol."

Part of the Government Office's role is to ensure the south-west's case is given a fair hearing in Whitehall, which appears responsive to the evidence of changed attitudes in Bristol. This month £6.2m was granted to improve a deprived estate in Hartcliffe.

The city now has a sponsoring Harbourside, with other landowners and the chamber of commerce, as "the single most significant development in Bristol in the past 40 years".

The more positive attitude comes as the local economy

shows some resurgence. Unemployment in the city's travel-to-work area has fallen to 8.1 per cent. The latest quarterly survey by the chamber of commerce showed 76 per cent of manufacturing companies and 72 per cent of service companies reported improvements in turnover, although fewer than 40 per cent were operating at full capacity.

"Undoubtedly there is a recovery taking place," says Mr Curtis. "But the recovery is not spread evenly - it is only companies with a particular market position which are doing well, the others are static. Investment is certainly improving, but employment in manufacturing is continuing to decrease."

Mr Donald Marylees, director of the Bristol and Western Engineering Manufacturers Association, says: "Things are looking better - the majority of businesses are busier than two or three years ago. But there aren't long order books and

margins are still fairly tight."

Uncertainty about the recovery is reflected in the city's lack of clarity about its future. Manufacturing has become much less important than the service sector but, says Ms de Groot: "It can't just be a professional city - there have to be things for the professionals to be doing."

Mr Leonard comments: "Bristol can set its sights high - but it has to mobilise to be successful and that's not easy." It needs, he believes, to look for allies and learn from the tactics adopted by other cities and regions.

One new tactic is the Bristol Regeneration Partnership, formed by the public and private sectors to bid for project funding from the government's single regeneration budget. Its first objective is "to promote Bristol's image as a vibrant European regional capital".

The city may not have that image yet, but at least it has the ambition.

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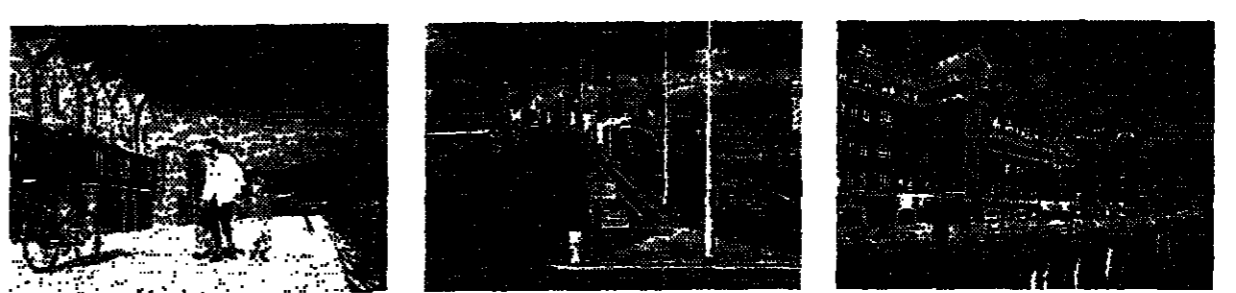
The £50 million Avon Meads and Castle Court development has received a massive 'thumbs up' from the people of Bristol. 92% of visitors say the complex is something the city can be proud of.

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Bristol as a financial centre

Symbol of a resurgence

Stand high on Brandon Hill, near the centre of Bristol, and look south over the impressive city panorama.

This city, the successful, thriving business capital of Britain's south west in the 1980s, has since suffered a painful recession and the decline of many of its traditional industries.

Down below Brandon Hill, however, is what many Bristol people believe is a symbol of a resurgence in the city's fortunes. Bristol's "jewel in the crown", its large and spectacular, sitting squat on the waterfront at the heart of the city's docks - the headquarters of Lloyds Bank's UK retail banking operations.

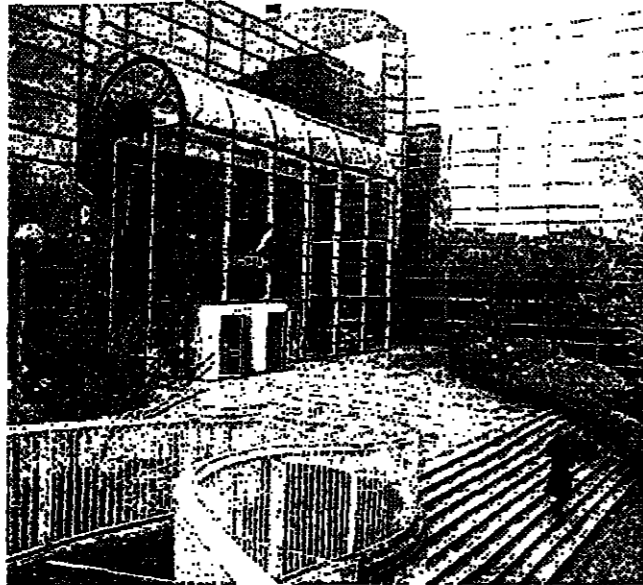
Lloyds' decision to move its retail operations to the city - where it now employs about 1,500 staff - in September 1991 is seen by many as the final seal of approval of Bristol as a leading financial centre. It is on this role that Bristol people are planning their hopes for the city's future.

"Bristol has suffered from a severe recession and from its switch from an engineering and merchant-type background to a more service-orientated economy," says Mr John Burke, chief executive of the Bristol & West, Britain's eleventh-largest building society, which has Bristol as its home. "But there are now positive signs of recovery and there is a growing realisation that its attractions now make Bristol second only to London as a financial centre."

Bristol & West employs about 3,800 staff, 1,000 of them in Bristol, and has a network of about 170 branches, 64 of which are in the south-west region.

The fact that many leading national and international companies have chosen to locate in Bristol over the past few years - Lloyds Bank and the Bristol & West are not alone in choosing Bristol as a home - is testament to the qualities the city has to offer as a financial centre.

The insurance industry, in particular life insurance, is strongly represented here. The most significant insurance start-up in the past few years



The futuristic Spectrum building, near the city centre. Picture: Lyda van der Meer



John Burke: "There are now positive signs of recovery"

National Westminster Life - chose Bristol as its base; and the UK's most successful direct marketing company, Direct Line, is shortly to open an important new operation in the city.

According to a recent report on financial services in the west of England, by accountants Coopers & Lybrand, about 55,000 people in the Bristol area are now employed in the financial services sector. If the professions that provide support for that sector - accountancy and the law - are included, the number rises to 67,000.

The insurance industry accounts for about 51 per cent of this total, the report finds.

Banking and finance, another important sector, accounts for 22 per cent - the Bristol bank Tyndall, Lloyds & Coutts' private banking operations and the merchant bank Singer & Friedlander can all be found within the city.

Building societies account for 23 per cent; venture capital and other smaller sectors account for the remainder. The local Chartered Institute of Bankers has no fewer than 1,434 members.

The report finds that the total assets controlled by financial services organisations headquartered in the west of England, with Bristol as its capital, is now in excess of £190bn.

The qualities that have drawn these companies to the west and to Bristol in particular are numerous. Mr Michael Edwards, deputy managing director of the Insurance Service - the direct insurance arm of Royal Insurance - lists most of them:

"We chose to set up business here because of the good quality and largely underemployed workforce, the exceptionally good road, rail and air links, the pleasant environment and the excellent support services such as PR, marketing, design and print," he said. "The people here are fairly lively and optimistic," he adds.

The Insurance Service, housed in the futuristic blue Spectrum building, near the city centre, has been based in Bristol since its start-up in 1987 and now employs 500 people. The direct insurance sector, which first began in 1985, was hardly touched by the recession, says Mr Edwards. By the end of last year it had a 20 per cent market share of the UK motor insurance market. "It is great for Bristol to have growing industries such as ours here," he said.

Add to Mr Edwards' list the strong links that exist between business and Bristol's two universities and business school, and the large supply of skilled graduate labour these provide and it is easy to understand why companies are attracted to the city.

"Bristol is an international magnet for the insurance industry and for finance," said Mr Edwards.

Graham Bowley

The quality of professional services is crucial to Bristol's success as a financial centre, and from this point of view it is well placed. Accountancy and law firms are well represented and the standard of service is high.

"The accountancy profession is very healthy in Bristol. The big six national firms are here as well as some smaller firms," said Mr Ian Robinson, managing partner specialising in corporate finance at KPMG Peat Marwick, one of the largest accountancy practices in Bristol with 17 partners and 250 staff.

"This is a well-fished pond for the client and there is a very good choice of professional advice available," he said.

"Regional law firms are winning business from London firms. In Bristol, we are competing on quality and winning on price to the extent that we are now a force to be reckoned with," said Mr Jeremy Phillips, a partner at Eversheds Holt Phillips & Buck, a recent addition in Bristol to the Eversheds national network of legal firms.

Mr Phillips is optimistic about Bristol's future and the role the professions have to play in it. "Bristol has a bright future as a financial centre. There are some very encouraging signs and that is one of the reasons why it was so important for us to have a representative in the city," he said.

After years of lobbying, Bristol has recently been granted its own mercantile court, one of only two outside London. The hope is that it will provide an opportunity for Bristol to make further headway against London.

Osborne Clarke is probably the leading law firm in Bristol - and probably also in the whole of the south-west region. It has a staff of 300 in Bristol, including 28 partners, and acts for, among others, the local independent television franchise holders ITV, the local electricity company SWEB and local health authorities.

Osborne Clarke is in a strong position and is expanding - it has an annual fee income of about £12.5m, almost double that in 1989.

"The message nationally is

Guests to lunch with Coutts & Co's bank in Bristol's Corn Street, the historic business quarter of the city, are greeted by a frock-coated Mr Bruce McColl, its manager, and asked to sign the visitors' book with a quill pen.

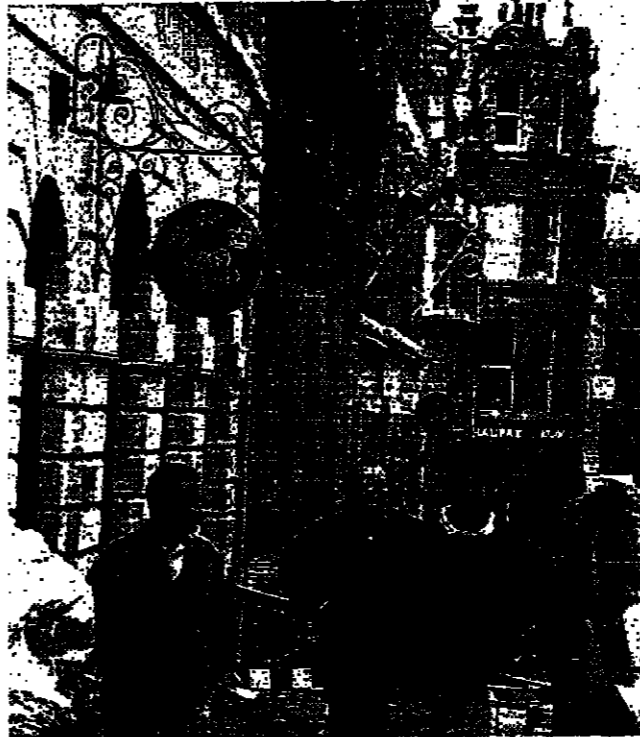
While this welcome sets Coutts apart from the usual reception that customers receive at a bank, it is evidence more of traditional values than its present-day way of conducting business. Coutts, founded in 1892, is anxious to show that private banking, far from being outdated, is gaining appeal with people who want a more personal service. In recent years, it has been opening branches in several UK cities.

The big banks - and Coutts is owned by National Westminster - have been coming round to the same opinion. Lloyds Private Banking, second to Coutts in terms of total funds under management, began as an adjunct to the retail bank but adopted that name in 1992 to gain a distinct identity. It has 31 offices and, last year, moved its Bristol branch to new premises in Clifton.

For Coutts, Bristol was only its second branch outside London (the first was at Eton). It opened in 1976 and subsequently a small office was established in Bath.

The south-west is seen as having a big potential for private banking. Lloyds says that in the first half of 1994 it gained more than 600 clients at its offices in the south-west and south Wales and £140m in additional funds. This brought the total to more than 8,500 clients and £1.4bn, accounting for a quarter of its national business.

Private banking aims to provide a more personal service than the high street banks. It

PRIVATE BANKING
A more personal service

Coutts & Co's bank in Corn Street, the city's historic business quarter

is, Mr McColl says, about "getting close to people and understanding their needs and we have the time to do this." There is an increasing emphasis on asset management, with the vast majority of clients opting to give the bank discretionary management of their funds.

Inevitably, many existing customers are elderly, but Coutts says new clients tend to be in their 40s and, often, have made large sums in selling or floating a business.

Mr Nigel Richardson, manager of Lloyds Private Bank-

ing in Clifton, says: "Bristol produces a very high volume of new business. There is a lot of wealth in the area. It used to be old ladies and widows, but is now tending to be younger people who have made their way in business but don't have time to look after their own affairs." The branch has 1,400 clients with £200m under management.

In the case of Coutts, which has 1,200 accounts at its Bristol branch, an average balance of at least £5,000 must be kept in a current account to avoid charges. Mr McColl says: "Peo-

ple are buying a relationship, and are not terribly excited by what £5,000 would earn in the Halifax, after tax at 40 per cent." For fund management, the usual entry point is £250,000 and charges are negotiable.

Lloyds has a minimum for fund management of £75,000 in free assets. Mr Geoffrey Bailey, chief manager of investment services, says: "One thing we don't sell is our own products - if we did, they would have to be better. We would have a very, alas, defence if they didn't perform well." The fee is determined by the value of the funds - in Lloyds' case, it is an annual 1 per cent and subscription charge of £140.

Coutts and Lloyds are both anxious to stress that the personal touch is not at the expense of professionalism. Coutts comments: "We have a global expertise and depth of knowledge - we're in 17 jurisdictions around the world and have fund managers in five key locations investing money."

Lloyds, like Coutts, cultivates an image to distinguish it from ordinary retail banking. In Clifton, it occupies a large Victorian house, only identified by a discreet brass plate. The house, complete with conservatory, has domestic furniture and aims to create an atmosphere in which clients feel at home. It is in sharp contrast to most people's main contact with their bank - a hole-in-the-wall cash dispenser.

Roland Adburgham

Graham Bowley on professional and business services

Quality is crucial

that we can offer clients superior access to our partners, that we have a very high degree of technical skill and we offer value for money," said Mr Leslie Perry, a partner specialising in litigation.

Second to Osborne Clarke in the region is Burges Salmon, nationally renowned for its expertise in agricultural law. Bevan Ashford, Vaele Washborough and Wansbroughs Willey Hargrave are the other leading Bristol firms.

Most of the present growth in the legal profession in Bristol is being seen in litigation and corporate finance.

Accountancy is also focusing on corporate finance. "We have seen a very substantial increase in corporate finance activity since the spring of 1993," said Mr Andrew Hillman, a partner specialising in corporate finance at Touche Ross in Bristol, which merged with BDO Binder Hamlyn in October.

"Whereas in 1992 we were doing only two or three transactions, last year we undertook 13 corporate finance transactions," said Mr Hillman.

"Audit and tax are also growing, partly because of relationships made through the corporate finance deals but also because of the economic recovery."

He said: "For three to four years our clients have kept their heads down but now increasingly they are out looking for business."

"Business is coming to Bristol," said Mr Hamilton of KPMG Peat Marwick. "Incoming firms can get a whole range of professional services including accountancy, legal advice, venture capital and stockbroking. All of it is here and it is in good shape." He estimates that this year his firm will be doing 50 per cent more business in transactions terms than in 1993.

Solomon Hare is smaller than the "big six" accountancy firms but is nevertheless one of the largest of the independent

practices in the West Country. Its client base, says Mr Nicholas Reeve, a partner at the firm, has tended to be smaller public limited companies with a market capitalisation of about £50m "which are relatively plentiful in this region."

He said: "On several of our deals this year we have managed to persuade clients that

there is a high level of actuarial support."

Singer & Friedlander, the merchant bank, has an office in Bristol with a staff of seven covering the south-west and Wales area.

On the stockbroking side, there are nine firms operating in the Bristol area. Probably two of the largest firms are Albert E. Sharpe and Laws & Co. Albert E. Sharpe, the Birmingham-based broker, took over the private client operations of Stock Beech in Bristol following the demise of British and Commonwealth, its parent. Laws & Co., part of Allied Provincial, has a staff of 24 dealing mostly with private clients in and around the Bristol area.

Rowan Dartington, of which Singer & Friedlander is the largest shareholder, deals more for institutional corporate clients - the split is 70 per cent institutional and 30 per cent private clients, according to Mr Barrie Newton, managing director. He says the firm, which has a staff of 15 in Bristol, has 20 corporate brokerages and is dealing for 80 mainstream blue chip insti-

tutions such as pension funds and insurance companies.

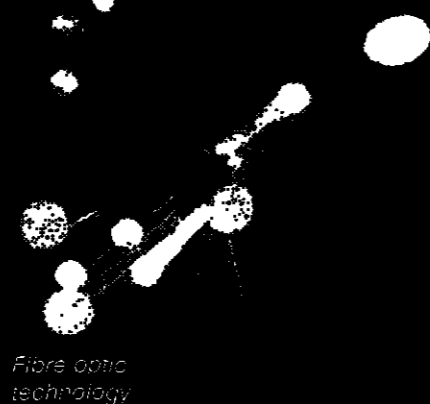
Despite their general healthy state, there is a wide consensus among those in the industry that the professions in Bristol face important challenges over the coming years.

"Historically, many large companies had their headquarters in Bristol and as a result used the city's financial services a great deal," said Mr Robinson. "But many of the decision-makers have now disappeared and been replaced by subsidiaries and their headquarters in London use London services. In the last 12 months there has been the beginning of some return of locally-based companies and it is our job to convince them to use our services here in the city."

"The professions' success will depend critically on their continuing ability to offer high quality services at competitive prices and with a high degree of accessibility compared to their London counterparts."

Mr Martin Warren, a partner at law firm Eversheds Holt Phillips & Buck, said: "The rise of the regional firms will continue to depend on being competitive, providing quality services in specialist subjects and offering accessibility. Clients want accessibility, despite the age of the fax and the phone, and however big the London firms are they cannot do that in the regions."

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BRISTOL III

Roland Adburgham looks at economic development

Shared strategy devised

During the 1980s, Avon was seen as one of the more successful sub-regions in the UK, with an employment rise of 12 per cent, the biggest increase for any mainly urban area. The county has 23,000 businesses, employing 400,000 people.

The growth was led by business and financial services with companies relocating from London and the south-east. This masked the decline in traditional manufacturing such as tobacco, transport, food, chemical and mechanical engineering.

By 1991, financial and business services accounted for 16 per cent of the workforce while distribution, hotels and catering employed 21 per cent. Manufacturing accounted for only 18 per cent.

The recession braked inward investment from south-east England and jobs were shed from aerospace and defence industries. Between 1989 and 1991, the census of employment shows, defence jobs fell by 10 per cent, tourism by 12 per cent and construction by 17 per cent.

An overdue awareness of a need to respond to rapid structural change has caused the public and private sectors to devise a shared strategy for economic development. In 1993, they formed the Western Development Partnership in Avon, an umbrella organisation to pull together previously unco-ordinated activities.

Its partners include all seven of Avon's councils, Bristol Chamber of Commerce and Initiative, the regional Confederation of British Industry and Trades Union Congress, universities and Avon training and enterprise council.

The WDP, led by Mr Richard Brown, its chief executive, has had a big impact in stimulating Bristol and Avon to be more pro-active. Taskforces have been set up for aerospace, high technology and financial services which are intended to lead to specific initiatives.

A technology and innovation management team, with funding from the European Kolver fund, has been established to advise small businesses to develop new products and bring them to market.

In September, the WDP pro-

duced an agreed strategy for economic development, including a target of creating 7,000 jobs a year and of reducing unemployment at a faster rate than the UK average. The strategy seeks to create a "marketable and recognisable region" in the west of England.

One of the difficulties for the south-west in promoting its case has been this difficulty of defining the region, and the multiplicity of development partnerships which sprung up during the recession. All seven counties have their own bodies

moting the city as a business location.

Another initiative is a North American Business Club, set up in February last year to promote Bristol as a gateway to the UK and Europe. It has gained members from 100 companies and is the only UK member outside London of the British-American Business Council, based in Washington, DC.

In the summer, the club hosted a conference on US government procurement and, this month, a trade mission from

training cultures. Among the rest of the business community, it was seen as a purveyor of government training programmes and had not established its profile as a business support agency.

The survey showed that most employers recognised the need for change if they were to grow. They saw the need to improve quality, raise skill levels of staff and managers, and improve strategic management.

But the report commented: "A considerable gap still



Jobs in the construction industry fell by 17 per cent between 1989 and 1991

Picture: Lytle van der Meer

with the result that they often appear to compete rather than co-operate.

After much lobbying, the Department of Trade and Industry is providing start-up funding of £100,000 for a single new agency - the West of England Development Agency - which will seek to win inward investment for the five counties of Avon, Dorset, Gloucestershire, Somerset and Wiltshire. Devon and Cornwall already have a government-funded development bureau.

A chief executive for the West of England agency, which is chaired by Sir Michael Lickiss, who heads the Somerset Economic Partnership, is being appointed and it will be based in Bath. But it is not yet clear how the relationship between the new agency and the WDP and other county organisations will evolve.

In Bath, the city council itself decided this autumn it must give more priority to economic development and to pro-

the Bristol-Florida chamber of commerce. More missions are planned next year. Mr Richard Denney, the club's president, comments: "The awareness within the US of Bristol as a business venue is growing enormously."

An initiative for Avon's indigenous businesses is the setting up of Business Link one-stop advice shops, as part of the planned national network. A bid for funding, backed by Avon Tec and the chamber of commerce, has been made to the Department of Trade and Industry and it is intended Business Link should be fully established early next year.

This should help Avon Tec, set up in 1991 and now chaired by Mr Colin Green, managing director of Rolls-Royce Military Aero Engines, to become better known. A survey of 820 employers in the county this summer showed the Tec's main impact had been on large employers with well-developed

remains between recognising the need to change and responding to it." Less than half of the companies with fewer than 100 employees had sought help in these matters.

Although 68 per cent of the employers provided training, the survey found that a third of companies - mostly those with 10 or fewer employees - were unaware of the Tec. Only a small proportion of employers had "any real appreciation of the role of the Tec and a detailed knowledge of the activities it undertakes."

The report concluded that the Tec needed to work more closely with other business support agencies through Business Link. "However, if this initiative is to make a real impact, it needs to develop a strong portfolio of services to meet the changing needs of employers, particularly small and medium-sized enterprises, which all agencies, not just the Tec, have largely failed to reach to date."

in Avon House, a block of brutal architecture in Bristol which is the headquarters of Avon county council, the lifts have an automatic voice intoning: "Doors closing."

Soon, the doors will close on Avon council itself. Its abolition is one of the few near-certainties of the local government review in England. Subject to parliamentary orders, there will be shadow elections next May to four new unitary authorities, replacing the existing two-tier structure of six district councils and the county council, which will disappear in 1996.

Bristol will then regain the unitary status it lost 50 years ago in the last reorganisation of local authorities.

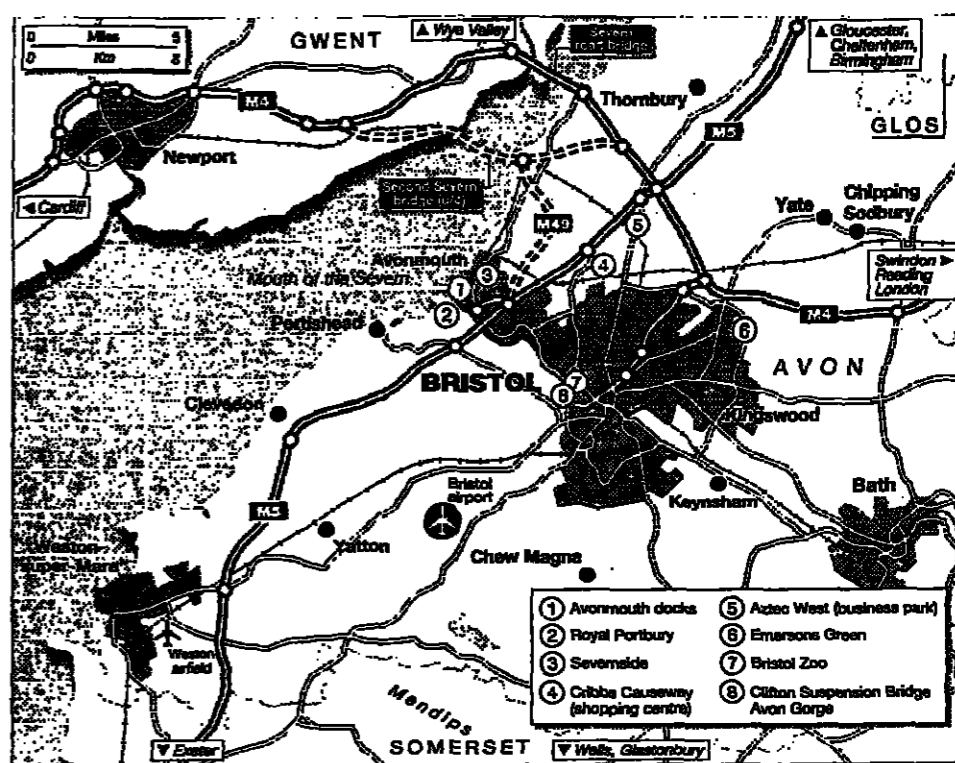
While there is broad agreement this will benefit the city, there is disappointment that the government appears to have accepted the local government commission's recommendation to confine the new council to the city's historic boundaries.

The commission has expanded well beyond those boundaries, notably to the north. The city council believes that, in strategic and planning terms, the new authority should have a wider remit.

This view is backed by business groups. Mr Chris Curtis, director of the regional Confederation of British Industry, says: "We believe the curtailment of Bristol to historic boundaries is a serious mistake - a lot of companies will continue to face a confused planning process, and possibly worse. Services are still continuing to move out of Bristol, and the wealth-creating potential of historic Bristol is declining and its capacity to deal with deprivation is being curtailed."

Instead, the local government commission, chaired by Sir John Banham, has attached more importance to the views of residents in outlying areas who are opposed to a Bristol "takeover." In consequence, Northavon district council will merge with Kingswood to form South Gloucestershire, Bath city council will merge with its neighbouring district Wansdyke, to form Bath and north-east Somerset. Woodspring, which is based around Weston-super-Mare, will become North-west Somerset on its existing boundaries.

Uncertainties remain over the transfer of powers. Avon council is by far the largest



Local government review is ready to axe Avon council

Bristol will regain unitary status

employer in the county, with the equivalent of more than 21,000 full-time employees and a budget of nearly £600m. However, nearly all the staff are expected to transfer to the new authorities.

In Bristol, there is anxiety that the city council will not be given adequate resources to cope with its new status. The council argues that its present standard spending assessment has been inadequate.

It points out that a government-commissioned study ranks the city as the 42nd most deprived district out of 366 district authorities. The combined assessment of Bristol and Avon councils this year is £697 per head of population, compared with £817 for Coventry, which was ranked the 45th most deprived.

The city council, supported by many businesses and organisations, is lobbying for the assessment to be increased. One issue is that

Bristol, by being the regional capital, provides services which those living in outlying areas use but do not support through their council taxes.

The Bristol Cultural Development Partnership says the city's current assessment "is more akin to a minor district than a regional centre." It fears the situation could become even more worse when the city takes on responsibilities at present funded by the county council.

It says the county council is spending £400,000 this year on supporting independent arts groups. Nearly all of these arts activities are Bristol-based. If, under the reorganisation, Avon's budget is disaggregated on a population basis, then the city would face big problems in supporting artistic and cultural activities.

Avon council itself is resigned to the fact that the government is determined to abolish it. Although, in strategic terms, its creation in 1974

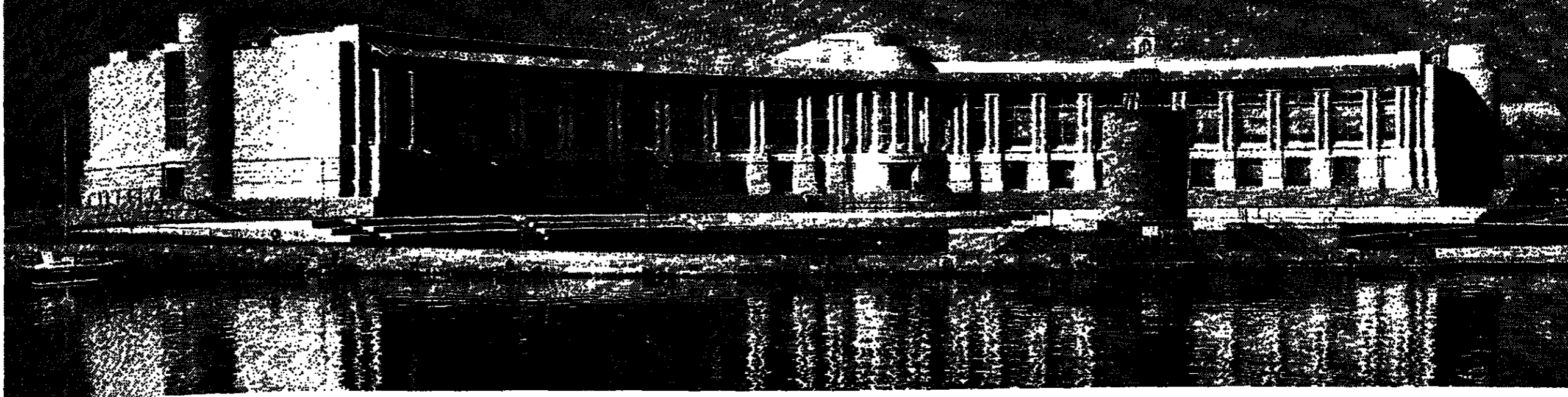
made more sense than the restriction this time of Bristol to its historic boundaries, it is widely regarded as ineffectual and has failed to generate any popular support. For many years it has been a hung council - the present make-up is Labour 34, Conservatives 25 and Liberal Democrats 17.

While there is a danger of further indecision in the period leading up to its abolition, Mr Graham Badman, director of education who has been also appointed head of external affairs to oversee the handover, stresses that for months the council has been working with district councils to prepare for abolition.

One of the internal notes refers to "wind-down to ensure clean handover." Once that has happened, there will be few reminders of the old county except in such bodies as the Avon and Somerset Constabulary.

Roland Adburgham

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BRISTOL IV



Professor Rees: responding to growth in the financial services sector

Graham Bowley takes a look at academic links with industry

Particularly strong ties

Bristol is home to two successful universities, both of which enjoy a close relationship with commercial life in the city, across the UK and abroad.

The University of the West of England, or UWE, the former Bristol Polytechnic which converted to university status in 1992, has its main campus in the north of the city.

This area, close to the M4 motorway and Bristol Parkway railway station, is undergoing rapid development and anyone travelling to the university will pass through a dramatic landscape dominated by cranes and the skeletons of new buildings - the headquarters of the Ministry of Defence procurement operations, and headquarters for Sun Life.

The university is quite comfortable with such rapid change unfolding around it. "Being a former polytechnic, we have always had good links with industry," said Ms Linda Skinner, director of the university's Centre for Research, Innovation and Industry, which was set up 18 months ago with the help of a £160,000 grant from Department of Trade and Industry.

Its aim is to promote co-operation between the university and industry, to help local business and to explore

ways of putting the university's research to commercial use.

"What this centre does is act as a middle man between industry and academics - the university is very good at coming up with ideas but we do not exploit what we do as well as we could," says Ms Skinner. "Our researchers also work with companies to develop any unused patents, which the company may have, into something which is commercially viable."

Ties are particularly strong between UWE and local business. A quarter of the university's students come from the south west and 41 per cent of graduates take up employment in the region. "We draw many of our students from the region and we place a lot of our students there, so it is in our interest to promote Bristol because a thriving regional economy is absolutely vital to this university," said Ms Skinner.

The centre has a small-business liaison unit which provides advice and help to small businesses within a 40-mile radius of Bristol. "We are continually asking ourselves how we can interact better with industry in the region and how we can help businesses to innovate," said Ms Skinner. She



Sited in the centre of the city: Bristol University. Pictures: Lydia van der Meer

estimates that of the five businesses a week the centre talks to, 35 per cent end up doing some sort of collaborative work with the university.

Although it has ties with most industry sectors, the university works particularly closely with the aerospace industry and Bristol's new high-technology companies.

UWE works closely with Hewlett Packard, the second-largest US computer company, which has its European

Bristol Business School has 3,200 full-time and part-time students

research and development centre on a site adjoining the university. The two are part of a group developing a new high-speed communications network for Bristol - an information superhighway for the Bristol area, called the metropolitan area network, or Bristol Man.

Close by the centre, and also part of UWE, is the Bristol Business School, which has 3,200 full-time and part-time students working for degrees in business studies, international business studies, accounting and finance and financial services.

"The latter is particularly relevant, given the growth of the financial services sector in Bristol," said Professor Michael Rees, dean of the Bristol Business School.

Each year as many as 200 students are placed with industry in the UK and abroad as part of their sandwich year out. The school also offers special management qualifications for people already at work who wish to take their training further.

The fastest-growing area in the school - and where the ties with business are the strongest - are the "partnership programmes" which the school offers: courses tailor-made to the needs of a particular organisation. In this area, the school works closely with Lloyds Bank - which takes about 100 people a year - the Bristol & West building society, NatWest Insurance Services, and also Avon county council and Bristol city council, to provide, for example, much of these compa-

nies' early in-house training.

Bristol University, one of the UK's leading universities which can boast several top-class research departments, is situated right at the heart of Bristol.

Mr Don Carleton, press officer, said: "The university has both long-term strategic relationships with local organisations, ranging from very large multinationals to quite small companies, and at the other extreme some sharp relationships of some commercial value."

He said: "Agreements are struck at the highest level with companies, ranging from large multinationals to small local businesses. In acknowledgement that our futures are intertwined and dependent on each other. Then, at the more specific level, we have exchanges of staff and of ideas."

The university has recently won a £1m grant from the Ministry of Agriculture, Fisheries and Food to carry out research on applying processing engineering to food.

The university is heavily involved, along with the UWE, the University of Bath and commercial partners, with planning for a science park - called Emersons Green - which is to be located to the north-east of the city. The aim of the park is to attract new high-technology industries into the area.

"These would create jobs but they would also be consumers of what the universities do best - there would be a strong demand for our high quality graduates and research," said Mr Carleton.

In anticipation of the park, the university is working closely on a £50m project concerned with advanced computing technologies with Inmos, a subsidiary of France's SGS-Thomson.

Bristol University offers its own business degree - an MBA in international business at its international business unit. This graduate course was introduced in 1991 and is now on its fourth intake of students. The students, who come from all over the world, can spend time on placements at businesses in Bristol and have the opportunity of visiting universities abroad.

Bristol, it was recorded by an encyclopedia published in 1813, "is generally esteemed the second city in England, for trade, wealth, and number of inhabitants."

The encyclopedia listed, among the "considerable manufacturers," brass, copper and lead works, turpentine and sulphur works, and the making of woollen stuffs, cotton, sail cloth and lace. There were sugar houses and no fewer than 15 glassworks.

Two thousand ships were annually cleared through the city's docks, but the encyclopedia noted that, apart from London, Liverpool had become the greatest sea port in England, "having exceeded Bristol considerably of late years."

The loss of trade to Liverpool was one reason why Bristol steadily slipped down the league table of UK cities. But Charles Harvey and Jon Press, in *Studies in the Business History of Bristol*, published by Bristol Academic Press, comment that the city has been much more than a maritime centre in decline.

"On the contrary, Bristol has for a long time enjoyed a diversified economy which has proved adaptable, resilient, and responsive to national trends."

Industries have waxed and waned in the city, notably cigarette, chocolate and footwear manufacture. The Wills company began in the city in 1786, and when it became part of Imperial Tobacco early this century, had a workforce of 3,000 people. Today, Imps employs only 600 people at Bristol and Avonmouth, making cigars.

Other industries, such as railway locomotive and motorcycle manufacture, have come and gone. The defunct Bristol coalfield at one time produced 1m tons a year. Aerospace has long been an important industry, but one which has been contracting. However, the Filton and Patchway works of British Aerospace and Rolls-Royce still employ a total of more than 10,000 people.

In keeping with the history of industrial diversity, other businesses have arrived and the city has benefited by never being over-dependent upon a single industry. The service sector, notably in financial and professional services, has helped to compensate for the diminution of manufacturing.

In recent times, one expanding industry has been that of media-related businesses. Bristol is the home of the BBC natural history unit, of the commercial radio company GWR, and of Aardman Animations, which in March won an Oscar for its film *The Wrong Trousers*. BTV, the television company, has its west of England studios in the city.

United Artists, the US group, has set up a base at Aztec West in north Bristol for its cable franchise. By late 1997 it will have invested more than £320m in a 4,000-mile fibre optical network, cabling Bristol and Bath and surrounding towns. Its workforce of 350 is

Lack of foreign investment

More American companies are based in the Bristol area than any other foreign-owned businesses, writes Roland Adburgham. An analysis of companies with a Bristol postcode and a turnover of more than £1m shows there are 20 from the US and five from Canada. There are 10 Swedish-owned companies and five Australian, but only four French, three Irish and two German.

The analysis was carried out for the FT by Jordan and Sons, the Bristol-based company information group. It shows the relative lack of inward investment from abroad in the area. Out of the 664 parent and subsidiary companies with a turnover of more than £1m, only 61 are foreign-owned. Neighbouring south Wales, with the benefit of its government grants, has been far more successful in attracting overseas companies.

The paucity of quoted companies headquartered in the Bristol area is also revealed by the analysis. Of leading parent companies, there are only 16 with a full stock exchange listing and another four on the unlisted securities market. But in this category, there are 219 privately-owned businesses.

Leading quoted companies, in terms of net tangible assets, include Wessex Water, South Western Electricity and Bristol Water.

Of the £1m-plus companies, there are far more engaged in wholesale and retail distribution than in any other activity. The figure of 37 per cent of the total compares with 13 per cent in banking, finance and business services, 12.5 per cent in engineering and 10 per cent in construction. Chemicals, metals, mining or plastics companies account for another 8.5 per cent.

Jordans also analysed the overall performance of nearly 500 of the largest companies (in terms of turnover) in the Bristol area. According to the latest filings at Companies House, sales year-on-year were up by only 1.6 per cent but pre-tax profits jumped 26.1 per cent.

Companies were helped by a big decline in interest payments of 16.6 per cent and a



Aztec West business park has attracted newcomers. The Black Sheep pub in the heart of the office village.

INDUSTRY

Diversity ensures that economy is resilient

expected to increase further next year.

Another recent arrival at Aztec West is Anderson & Lembke, a business-to-business advertising agency set up three years ago to serve the high-tech sector. It chose Bristol, it says, "because of its easy accessibility, value-for-money office accommodation and local creative talent." Also at Aztec West is Spandex, the supplier of sign-making materials and computers to the sign-making industry.

Direct mail and telemarketing is a growing business - British Telecom has a 24-hour call centre in Bristol. Colleagues Direct Marketing of Bath has proved highly successful. In January, NatWest Ventures completed a \$2m buy-out from ACT Group of Brann Direct Marketing, based in Bristol and Cirencester. Brann has a turnover of about £15m and employs 408 people.

Computer-related companies include Systems Team, a systems house set up in central Bristol in 1982. It has become a leader in providing services to professional associations and membership organisations.

Hewlett-Packard, the US company, has one of its chief European manufacturing and technological bases on a 163-acre site at Filton. Its H-P Laboratories there, employing 270 researchers and scientists, are its largest research centre outside the group's Californian headquarters.

"We believe that Bristol - with its excellent universities - is an excellent place to conduct advanced research, and that Bristol has much

more to offer in the area of value-added services than strictly a good place to manufacture products," Hewlett-Packard says.

More traditional industries include a Courage brewery and two small regional brewers, Bulcombe and Smiles. The drinks company Eiram Walker, renamed as a division of Allied Domecq, has its world headquarters in Bristol.

There is also a sizeable printing industry. Oakley Press this year completed substantial investment in a fully integrated pre-press and press operation. But one long-established company, J. W. Arrowsmith, which began printing in the 19th century, has become a much smaller business.

Arrowsmith was recently the subject of the city's longest industrial dispute, which ended this autumn after 18 months of picketing. The dispute began over pay and the plant was picketed after the company dismissed 120 workers and de-recognised their GPMU union.

A related business in the region is packaging, with companies such as DRG and ASSI, which has a £30m plant making corrugated packaging at Yate in Avon.

Other manufacturers include Rotork, the specialist engineer in Bath, which increased its overseas markets during the recession and exports to more than 60 countries. Engineering company Strachan & Henshaw, part of Weir Group, designs and supplies handling systems for nuclear power stations. Christies Panel Products makes fitted bedrooms.

One long-established business is Bryan Brothers, founded in 1913, which has

become one of the UK's largest privately-owned motor groups. Its contract hire business has a fleet of 8,000 vehicles.

A newer company, in an old tradition, is Architectural Castings, a management start-up in 1984. It is planning further expansion after an injection this summer of £200,000 of equity and loan finance by 31, the investment capital group.

To complete the picture of diversity, at least one industry has had a renaissance since the days of the 1813 encyclopedia: the manufacture of hot-air balloons (which were piloted, the encyclopedia said, by "aeronauts").

Mr Don Cameron, head of Cameron Balloons which he founded in Bristol in 1970, has seen the company become the world's largest maker of promotional and sports balloons, both hot-air and gas-filled. The company makes about one a day and exports to more than 30 countries. With a turnover of £4.5m, it employs 50 people. "We have never had a redundancy," Mr Cameron says, "and it is our goal never to have one."

Roland Adburgham

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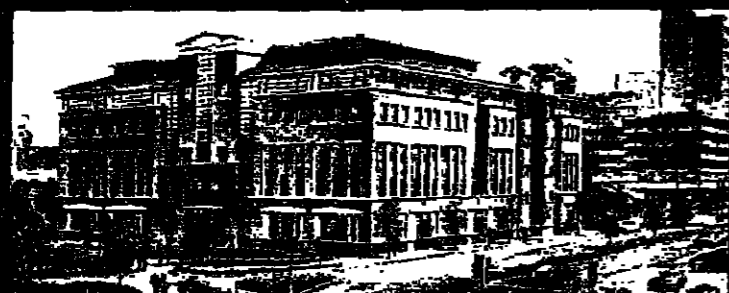
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BRISTOL V

Roland Adburgham looks at the tourism industry

A change of attitude

A bronze statue of a craggy John Cabot on a Bristol quayside shows him gazing westwards, towards the American mainland which he discovered almost 500 years ago. If he could look over his shoulder, he would see a wharf where his ship the *Matthew*, in which he set sail from the city's harbour, is being reconstructed.

The new *Matthew*, being built with oak and traditional materials at a cost of £1m, is at the heart of an overdue desire by Bristol to stimulate tourism. The ship, a square-rigged caravel of 21 metres, will be launched next September and in May 1995 will be the city's centrepiece of an international festival of the sea. Then she will sail to Newfoundland to take part in the province's 500th anniversary celebrations.

The festival, organised by partners including the city council and Bristol Chamber of Commerce and Initiative, is intended to be the biggest held in the UK. It is hoped to attract 800 ships from around the world and as many as 1m visitors. For four days, the quays will be alive with exhibitions, concerts, other events and visits to the moored boats.

With its cost already underwritten by a property company, the festival is the most striking example yet of a change of attitude in Bristol towards tourism. Overshadowed by Bath's status as a world heritage city, Bristol has until recently appeared to disregard the industry.

This was despite evidence of tourism's importance. The West Country Tourist Board estimates the city has 750,000 staying UK visitors each year, contributing £55m to the local economy. In addition, it has a big number of day visitors and is a popular place for visiting friends and relations.

For visitors from overseas, Bristol is the tenth most popular UK destination - with Americans and the French leading the way. In 1992, there were 209,000 staying visitors from abroad. In total, tourism is estimated to contribute at least £100m a year to the local economy, creating directly or indirectly 10,000 or more jobs.

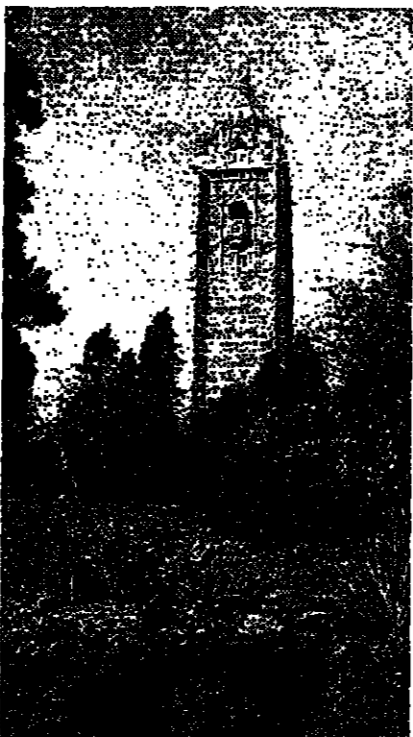
A consequence of Bristol's lack of interest in tourism was that the city, despite being internationally known because of its trading history, failed to invest in the industry compared with rival UK cities. It has no sports stadium, concert hall or conference centre of national significance.

The *Matthew* project and festival of the sea is evidence of a change of mind. Mr Neil Croucher, chairman of Bristol Tourism Forum, says: "A few years ago the private sector was tearing its hair out and asking what the city council was doing to promote tourism. The answer is that they were doing nothing. It was not recognised as an industry, nor as an area of potential."

In the past three years, he says, there has been a total turnaround and the city council is nothing short of excellent in

putting money, time and commitment to tourism.

The forum itself, with representatives from the council, chamber of commerce and tourist industry, has been reactivated. A new strategy has been adopted to tackle the weaknesses - visitors, for example, consider Bristol inhospitable - and build upon the city's strengths of location and maritime heritage. In particular, it is seen to have more potential as a year-round destination for short-break holidays and business tourism.



Bristol has impressive landmarks

"Now everyone is working towards one goal," Mr Croucher states. "We have the big plus of water right at the heart of the centre. We would like to see Bristol as a major European city, closely linked to waterside development. By the year 2000, we should be in the position to promote Bristol as one of the most beautiful cities in western Europe."

Mr Croucher is development director of the Exploratory "hands-on" science centre which, with nearly 200,000 visitors a year, is the most popular city attraction after Bristol Zoo. The Exploratory, outgrowing its space at Brunel's Temple Meads station, may move to Harbourside, a waterfront scheme which is hoped to include an electronic wildlife "zoo" and centre for the performing arts. A separate project is for a museum of commonwealth and empire at Temple Meads.

Bristol already has the advantage of impressive landmarks, including Brunel's Clifton suspension bridge over Avon Gorge, the cathedral and St Mary Redcliffe church. Less well-known is that, despite wartime bombing damage and consequent ugly office blocks, there are 3,600 listed buildings. The Old Vic's Theatre Royal is the oldest working theatre in Britain, and John Wesley's chapel, built in 1739, was the world's first Methodist chapel. Outside the 18th century Exchange are the merchants' flat-topped "halls", the origin of the phrase "paying on the nail".

A more recent survivor is Brunel's ship, the SS Great Britain, launched in Bristol in 1843 and salvaged from the Falklands in 1970. Nearby, the Victorian buildings of Underfall Yard are being restored. Alongside the floating harbour, which retains permanent high-water in the city's docks, there is an industrial museum and Arncliffe art gallery. Events such as the annual balloon festival and regatta attract thousands of people.

Visitors might well be deterred by the cost of car parking, at £1 an hour, and the variety of shopping can't compete with Bath. But one deficiency perceived by tourists - the restaurants - is less well-founded. The 1994 Good Food Guide lists 10, three more than Bath and five more than Birmingham. Outside the city, there are distinguished country house hotels such as Ston Easton, a Grade I listed Palladian mansion.

The city is also close to some of Britain's finest countryside, including the Wye valley, Cotswolds and Mendips. In addition to Bath, it is within reach of Cheltenham, Wells and Glastonbury and the seaside towns of Weston-super-Mare, Burnham-on-Sea and Clevedon.

With these advantages, Bristol should have captured more business tourism. Despite having 2,000 four-star hotel beds, it is not among the top 50 UK cities for the conference trade. This autumn, an initiative was launched to correct this. Twenty-seven hotels and venues have formed a marketing consortium called Conference Bristol to promote it as a destination and provide a central point for bookings. The aim is to bring the city into the top 10 conference destinations within three years. All the big hotels have also joined Bristol Hotels Association in what Mr Michael McQuay, chairman of the West Country Tourist Board, has described as "a new spirit of co-operation."

One area where there should be more co-operation is with Bath. The two cities, only 12 miles apart, could promote a complementary appeal for tourism. But there has been mutual suspicion and little common interest, exacerbated by poor transport connections. Bath, in its cultural identity, has traditionally looked eastwards towards London. Bristol, like John Cabot, has looked westward.

Transport links serve the city well

More air services needed

A strength of Bristol is its geographical location near the motorway crossroads of the M4 and M5. One can drive directly by motorway to London, south Wales, the Midlands and north, or to the far south-west, writes Roland Adburgham.

Bristol also has two mainline railway stations, Parkway and Temple Meads, with a journey time to London of an hour and 20 minutes.

It has a flourishing port, which is close to the Severn bridge and to the second crossing which is being built. The one obvious weakness is its lack of an international regional airport.

While Bristol airport, south of the city at Lulsgate, has established itself as the south-west's leading airport, there is an irony. The transport links, which otherwise serve Bristol so well, serve Lulsgate badly. It has no railway. The road into the city is a single carriageway.

The airport is only a few miles from the M5 motorway, but the roads to it are tortuous.

It is this issue of location which hovers over a public inquiry being held by the Department of the Environment. British Aerospace wants to develop the airfield next to its Filton works in north Bristol into a commercial airport, with freight and scheduled services.

It has all the transport links which Lulsgate lacks.

Although, under the terms of BAE's application, Filton would not be a fully-fledged regional airport, business groups such as the regional Confederation of British Industry regard it as an essential step forward in the region's economic development.

The inquiry was called after Northavon council, the planning authority, failed to rule on BAE's application within the statutory period. In recent years, thousands of houses have been built near Filton, and the council has been put under pressure by residents worried about noise.

Northavon is now opposing BAE's plan, even though the company argues that it must make better use of its airfield to safeguard the Filton works, where more than 5,000 people are employed.

Bristol city council is also opposed to a Filton airport because it owns Lulsgate, which plans a new £14m terminal capable of handling 2m passengers a year but needs private investment.

It is the success of Lulsgate, despite its handicaps, which proves the demand. It had 1.2m passengers in the year to March 31 and made record pre-tax profits of £3.6m. While most of its passengers are for charter flights, scheduled traffic is growing. In its winter timetable, Lulsgate has 170 scheduled departures a week, including flights to Amsterdam, Brussels, Paris and Jersey. Although long-haul flights are restricted by its runway, a daily Aer Lingus service has started to

New York. Brymon, the British Airways subsidiary, uses the airport as its hub.

BAe proposes not more than 350,000 passengers a year at Filton and contends that the two airports could co-exist, with Lulsgate handling charter traffic. Bristol council says that Filton, if restricted to BAE's announced limit, would do little to meet projected demand of about 4m passengers by 2010. This demand would

in the west of England.

On one hand, there are the environmentalists and, on the other, business groups calling for road improvements.

Where there would be agreement is on the need to upgrade rail services, especially by the electrification of the London line. There are no through passenger services to the Channel tunnel, although there is a firm proposal for a freight terminal at Avonmouth which would link with the tunnel.

There is also general agreement that Bristol, where the road network is overcrowded, needs a rapid transit system, despite the collapse of a previous scheme for a metro tram system. Avon county council is the lead promoter for what it calls the Westway network. It is preparing an application for a government grant to finance most of the estimated £202m cost for the first stage. Private sector funding would also be required.

The first line would run from north of the city to the south. Dr Roger Newport, the project manager, hopes operations will begin by 2002 and the network could eventually include other routes. While the type of vehicle has yet to be decided, the council envisages vehicles using electrical overhead lines. It believes two thirds of the passengers would otherwise be using cars.

A "people-mover" system is also proposed by Bristol Development Corporation to connect its Quay Point scheme by light tram to the city centre. The BDC, which has complained of "a lack of urgency" in transport policy, opened a spine road this summer which keeps some traffic out of the city centre by connecting the M33 motorway and A4 Bath road. In contrast, the county council says a proposed extension of the Avon ring road, badly needed to help regenerate south Bristol, is only in its "longer-term ambitions."

The local authorities have been criticised for seeking to discourage vehicles in Bristol while doing little to provide an alternative other than cycle-ways in what is a particularly hilly city. A more balanced policy has begun to emerge, with bus and taxi priority lanes and the start of park-and-ride schemes.

Mr Trevor Smallwood, chairman of Badgerline, which operates the City Line buses in Bristol, says the first park-and-ride scheme, which opened this year, is being used by 1,000 people a day, "in advance of expectations."

One imaginative project being promoted by Mr Smallwood's company is an Avon Gorge expressway, which would use an old single-track railway as a guided busway between Portishead and the city centre. Linking with two park-and-ride schemes, it could run as many as 60 buses an hour in the peak-hour direction of travel.



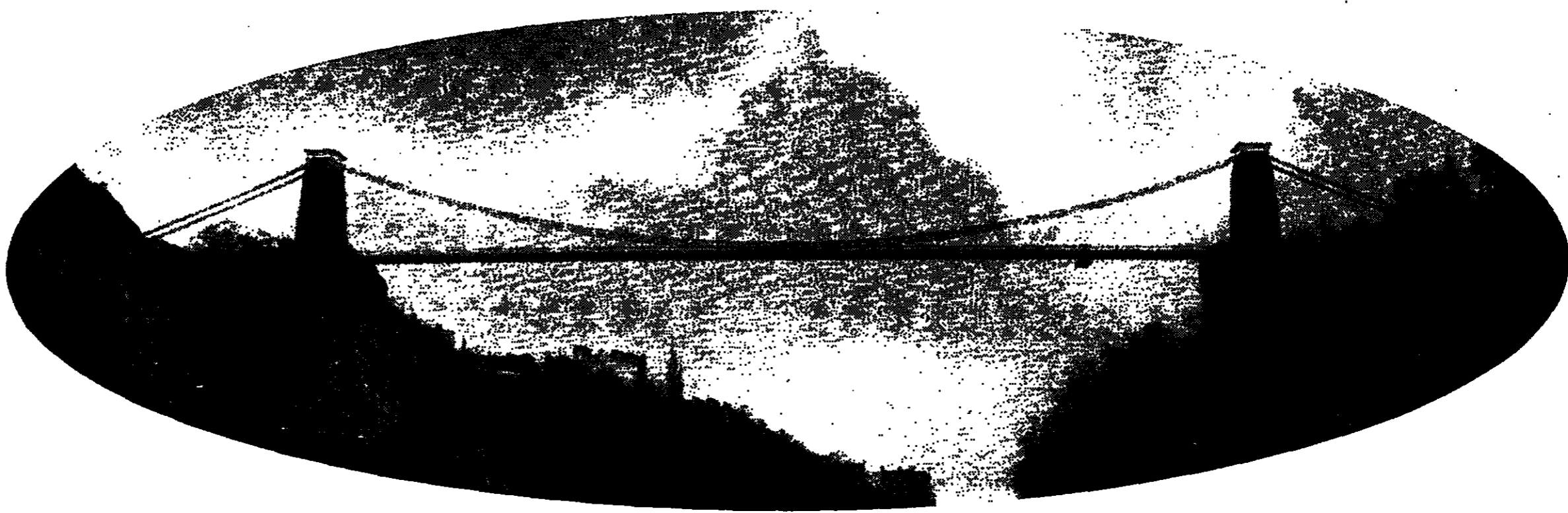
Clifton suspension bridge. Photograph by the author

therefore have to be met at Lulsgate, but the council warns that the necessary investment might be frustrated by a second airport.

What does seem certain is that any investment will remain on hold until the outcome of the inquiry, due to end in January.

While this is the most contentious transport issue in the region, it is by no means the only one. The construction of the Bath-easton bypass, north of Bath, drew national attention this year as objectors camped out in tents and trees to try to stop the contractors.

While the protesters ultimately failed, they highlighted the dilemma of striking a balance in satisfying two opposing pressure groups which are particularly vocal



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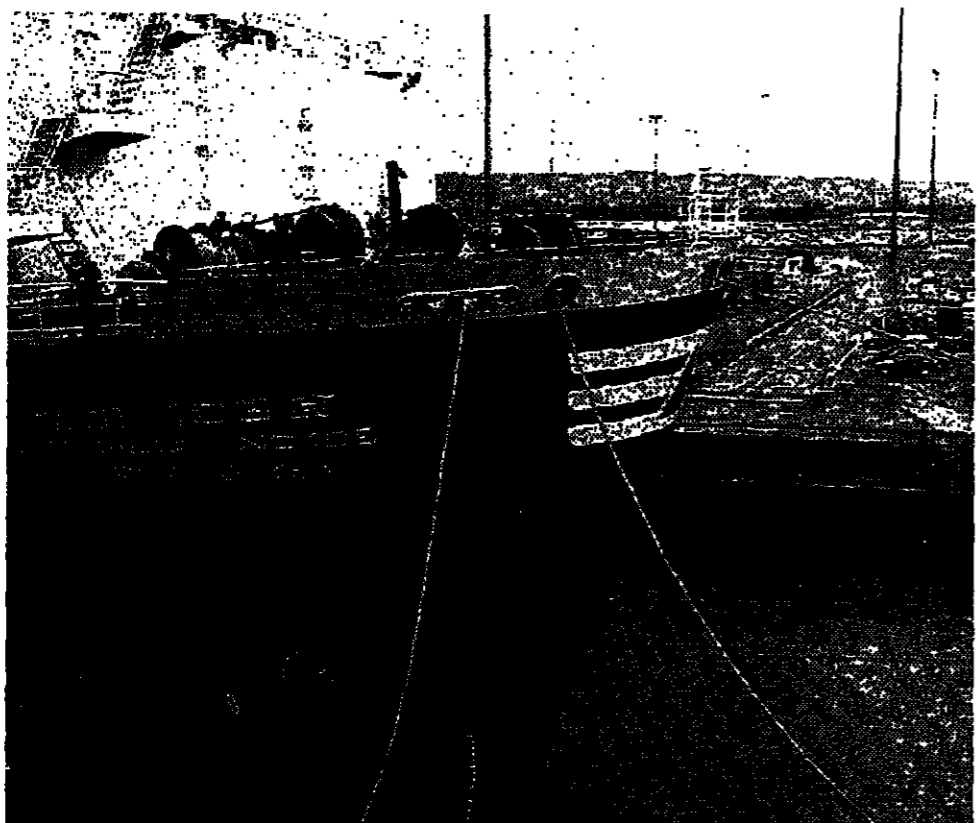
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BRISTOL VI



A Korean ship departs from Royal Portbury Dock after unloading cars



Royal Portbury is the second-biggest UK port for car imports and exports

BRISTOL DEVELOPMENT CORPORATION

Striking evidence of regeneration efforts

Many of the people flocking this autumn to a 14-screen, 3,600-seat Showcase Cinema at Avon Meads in Bristol will be unaware that only a year ago the site was derelict.

The American-style development of a 26-acre site at Avon Meads and Castle Court is, as yet, the most striking evidence of the regeneration efforts of the Bristol Development Corporation on 900 acres near the city centre. Alongside the Showcase Cinema, opened in August by National Amusements of the US, there is tennis bowling, fast-food restaurants and a parade of stores.

This month, an 85,000 sq ft Cargo Club was opened by Nurdin & Pascock, its third UK membership warehouse, in which goods are sold off pallets and racks at low prices. More than 12,000 people had paid the annual membership fee of £25 by opening day.

Avon Meads and Castle Court, which have been developed for the BDC by Wilson Connolly, have free parking and, because of a new spine road, can be reached without driving through the congested city centre. The road itself, named St Phillips Causeway, was opened in July and links the M32 motorway with the A4 Bath road.

While the leisure and retail complex has won popular approval, the BDC itself has been, in some quarters, highly unpopular. One of 12 such corporations in England, it was created by the government in 1989 with planning powers to regenerate land suffering from dereliction and poor access. The Labour-controlled city council failed in a court action to stop it.

The BDC's aggressively marketed strategy did nothing to improve relations with the council. Critics of the government's concept of the corporations argue they have a high cost per job created - and poorly targeted benefits.

Relations between the BDC and the city council, although still uneasy, have improved over the past year and the council's Labour leader, Mr Graham Robertson, has joined the board. Recently, however, tensions have resurfaced with the BDC's plans for its flagship site, Quay Point.

Mr Miles Collinge, the BDC's pugnacious chief executive, makes no apologies for the corporation being a commercial organisation driven by market forces. He does not disguise his frequent impatience with the city authorities. "Bristol of all cities has a capacity to emit negative messages," is a typical comment.

The BDC concentrated on infrastructure first - notably on St Phillips Causeway, which

cost £47m. The design-build contract was completed by Balfour Beatty ahead of schedule and on budget. Mr Collinge describes the road as of "mega-significance" and says the area it serves "didn't have a future without it".

One scheme, intended to complement the spine road, is for a weir to improve the appearance of the river Avon, which becomes a muddy ditch at low tide. But although a parliamentary bill to build it was unopposed, funding has yet to be found.

Development which has proceeded includes, in partnership with Nationwide Building Society and five national housebuilders, an urban vil-

The BDC says 2,250 jobs have been created, with many more forecast

lage called Avon Riverside. So far, about 300 houses, out of a planned total of nearly 1,000, have been completed. The main office relocation has been by NetWest Life, which has taken a headquarters building on the waterfront.

The BDC says 2,250 jobs have been created, with another 1,000 expected from schemes in progress. It forecasts there will be, eventually, 18,800 direct and indirect jobs and predicts that private investment of £820m will be secured.

In May, the BDC, due to be wound up in December next year, published an exit strategy together with a review by KPMG Management Consulting. KPMG said the recession had caused developments to come onstream later than originally forecast, but "despite this background the BDC has successfully brought about development and laid the foundations for strengthening interest in the economy and the property market recovery".

The review said the BDC had identified opportunities which had not been seen by the council. The potential had been transformed by improvements to the infrastructure and environment. Twelve sites already had some development and a further 13 were being marketed. "There is no evidence that this turnaround... could have been achieved with the BDC's activities," KPMG said.

The most grandiose project is for Quay Point, which the BDC believes will be a gateway to the city of international status. It is a triangular site of 23 acres next to Temple Meads railway station, the city's ring road and on the waterfront. The BDC, with Wilson Connolly as preferred developer, hopes to have a 2m-

sq ft commercial centre, attracting £400m of investment.

In addition to offices, the BDC wants a quality hotel, leisure attractions and, most controversially, 350,000 sq ft of shopping including a department store and a mall. The scheme is attacked by those concerned about the impact on the city's Broadmead shopping centre, and on a proposed Harbourside development on the waterfront.

The council's view is that a strategy for central Bristol should be devised by agreement, not competition. Mr Collinge's view is that the real threat to the city centre comes not from Quay Point, but from out-of-town development.

Despite Quay Point having been marketed for some time, no deal has yet been struck for a department store. Mr Collinge, while saying that remains the preferred option, indicates the scheme could be adapted to have less retail space, more confined to shopping for office workers. But he comments: "We do believe in mono-cultural development, whether retail, leisure or office. A development blossoms more in a city if it has a mix of uses."

"This corporation wants to do nothing but strengthen the heartbeat of Bristol. Why allow this site to continue to mould? It is the most accessible site and why not recognise that, and say it is the central business district?"

Mr Collinge comments: "My great sadness is that the vision of the BDC has not been shared. There has been squabbling argument with anti-development politicians trying to kill the BDC. Cities like Birmingham and Manchester have had a strategic vision in harmony with the private sector."

He adds: "Potentially we're a very competitive city and, if we got our act together, we could knock spots off other cities."

Roland Adburgham on Bristol port and Severnside

A transformation

Motorists surging down the M5 motorway towards Somerset can hardly fail to notice, as they drive past the Avonmouth industrial complex beside the Bristol Channel, that something big is happening.

While the steel structures and vapour clouds of large-scale chemical processes are still evident, there are also gleaming white buildings, the size of aircraft hangars, next to acres upon acres of parked new cars.

The transformation is caused by the expansion of Bristol port since it was privatised three years ago. Its success "is the best thing that has happened to Bristol in 50 years," says Mr St John Hartnell, chairman of property consultant Hartnell Taylor Cook, which manages the docks' estate of 2,500 acres.

While Mr Hartnell would declare an interest, others have been equally impressed. The port, together with the second Severn bridge which is under construction, has become a catalyst for develop-

ment plans around Avonmouth. The biggest scheme, being promoted by ICI, covers no fewer than 1,500 acres, an area stretching for more than 4km.

Even before the new bridge opened in 1996, the docks have the benefit of direct access to the M5 motorway, near to its junction with the M4, and of a recently-upgraded link to a main-line railway. "It is a very well-placed strategic port," says Mr Hartnell.

The port, which straddles the river Avon, took over from the old city-centre docks, where commercial trade died because of the difficulties of navigating the river and restrictions on the size of vessel.

On the north side of the river is Avonmouth dock, which is used by container and general cargo ships, and where Bell Lines opened a £3.5m container

terminal in December last year.

On the south side is Royal Portbury, completed as a deep-water dock in 1978 and capable of handling ships up to 130,000 dwt. Bristol city council, the then owner, was burdened with debt by its construction and could not win enough trade to be profitable.

In consequence, the council sold the port in 1991 for £36m, free of debt, on a 150-year lease to First Corporate Shipping, a private company run by Mr Terence Mordaunt and Mr David Ord. They are chairman and managing director of the operating subsidiary, Bristol Port Company. The council retains a 12.5 per cent preferential stake and has a seat on the board. Since the takeover, £150m has been invested by the port and joint venture partners in new facilities.

"Everything that happens here, happens at break-neck speed," says Mrs Julie Gough, of Bristol Port Company, which has a permanent workforce of 172 including apprentices. Since 1991, tonnage has increased by 2m tonnes to 6.6m tonnes and profits have risen each year. Revenue in the last financial year grew from £21.6m to £32.7m.

To date, most of the expansion has been at Royal Portbury which has become, after Sheerness, the second-biggest UK port for car imports and exports. These have doubled in three years to about 300,000 vehicles.

Honda, Mitsubishi, Proton, Rover, Toyota and the Fiat company Volvo have parking space which totals 283 acres. Computerised systems enable a car's arrival to be processed in less than 40 seconds.

In May last year, an £80m investment in a bulk handling terminal was made by a joint venture with National Power. Although in its first year the terminal only handled about 1m tonnes of coal, compared with a capacity of 5m, it is a common-use facility which also carries fertilisers, aggregates and grain derivatives.

This year, Agricultural Bulk Services, a joint venture between the port and United Molasses, invested £6.5m in doubling storage for animal feeds, only a year after the facility opened at Royal Portbury. New sheds have been built for a forest products terminal. Lafarge Plasterboard imports gypsum for a factory which it opened at the port in 1989.

On the dock estate, infrastructure is nearly completed for Portbury West, a joint venture with Bryant Properties for a 30-acre distribution park, intended eventually to have more than 1m sq ft of industrial space. Further south, Woodspring council has given approval for a 52-acre business park near Weston-super-Mare and outline consent for a 1.6m sq ft business park at Weston airfield.

North of the river Avon, another distribution park called Severn Gate is being developed on a 60-acre greenfield site by AMEC Developments and RTZ Estates.

RTZ is promoting a scheme to build nearby an intermodal rail-freight terminal which would link to the Channel tunnel.

At Severnside, north of Avonmouth, ICI intends to develop 1,500 acres around its fertiliser works and Avon plant, owned by Zeneca since

the demerger. At present, tenant farmers use the land for grazing, but the land has been held as a strategic reserve and ICI has had outline planning consent since 1987 for industrial and commercial use.

ICI has realised it will never require the land itself although the fertiliser plant, where 230 people work, remains open and Zeneca is keeping some acreage for planned expansion. Instead, it has decided the time has come to unlock its value.

That value, it believes, is enhanced not only by the port but also the M49 approach road to the second Severn bridge, which crosses the land. ICI is applying for an intersection to give direct access.

One hitch is that agreement has yet to be reached with the highway authorities for the siting of the slip roads, which will be partly funded by the private sector. In consequence, the junction is unlikely to be ready when the new bridge opens.

ICI, with King Sturge as property adviser and planning consultant, has begun to market the land under the name Western Approaches and is holding meetings with local people on mitigating the environmental impact.

Planning consent is being sought for a first phase - a distribution park of 2.3m sq ft of warehousing on 130 acres of a landscaped 200-acre site. Future development could be a mixture of distribution space, industry including high-tech and research activity, and possibly a leisure complex and some housing.

The company estimates that over a 15-year period, between 5,000 and 7,000 jobs could be created.

"The capacity for economic development is enormous," says Mr Andrew Sturt, ICI's group property manager.

"It will be a major contribution to the industrial and employment base of the region."

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Businesses are moving out of town, reports Roland Adburgham

City centre versus outskirts

When John Lewis, the department stores group, announced this year it would close its Bristol store in 1997 and move to Cribbs Causeway, an out-of-town regional shopping centre, it sent shock waves through the city.

It reinforced fears that Bristol was in danger of succumbing to the "doughnut" effect, with retailers and companies moving to the city fringes and leaving a hollow centre.

To the north of Bristol, in particular, there has been substantial development.

This includes a £254m procurement headquarters being built for the Ministry of Defence. At more than 1m sq ft and designed for 5,700 staff, this is said to be the UK's largest current office development.

Another big project nearby, on the Parkway business park, is a 600,000 sq ft headquarters for Sun Life which will house 2,400 staff. The staff will relocate from separate buildings in the city centre, reinforcing the "doughnut" fears.

Cribbs Causeway itself is north of Bristol, next to the M5 motorway. A development by Prudential Assurance and JT Bayliss, it is planned to have 650,000 sq ft of retail space, with John Lewis and Marks and Spencer taking a total of 250,000 sq ft.

After two public inquiries, the shopping centre was approved by the environment secretary in 1991, before his department's tardy awareness of the effect on town centres of out-of-town stores.

John Lewis's existing store is a mainstay of the city's principal shopping centre, Broadmead. It is a post-war centre, showing its age, with a dreary environment and poor access.

As a result, it is calculated that Bristol attracts lower retail spending than should be expected of a regional capital.

What John Lewis's decision has achieved is a concentration of minds. This has been further encouraged by the retail aspect of Bristol Development Corporation's proposed Quay Point, which is also perceived as a threat to Broadmead. For its part, the BDC argues that Quay Point, by improving the city's range of shopping, will help to arrest Broadmead's decline.

There is now a positive intention to improve Broadmead by the council, which is the landlord, the retailers, and Bristol Chamber of Commerce and Initiative. "Broadmead is not dead but it is sick - it needs revitalising," says one



Edward Cussen identifies a positive spirit of co-operation between the public authorities and private sector

leading chamber member. "But I think with co-operation between the chamber and city it can be solved."

A new retail occupier is being sought for the five-storey John Lewis building.

One improvement already has been the Norwich Union development of the Galleries' enclosed shopping centre near Broadmead. Although it opened during the recession, it has let reasonably well.

For companies, the attractions of being north of Bristol

phase. The £11m scheme is described as one of the largest speculative fundings in the Bristol area for five years.

Longer-term, there is the prospect of commercial development on 400 acres at Emersons Green.

In contrast, companies have complained of transport and parking difficulties in the city centre and, at least until recently, of an unhelpful attitude by Bristol council.

Hartnell Taylor Cook, the property consultant, describes

demand is increasing."

The doughnut effect may prove to have been exaggerated. Demand for space in the centre has not dried up, as indicated this year by Midland Life taking 30,000 sq ft of offices and Direct Line, the insurance company, occupying a 50,000 sq ft block.

"Instead of the city centre vacuum which was feared, big employers have moved in this year, bringing hundreds of new jobs with them," says Mr Mike Henry, of Chesterton, the property consultant.

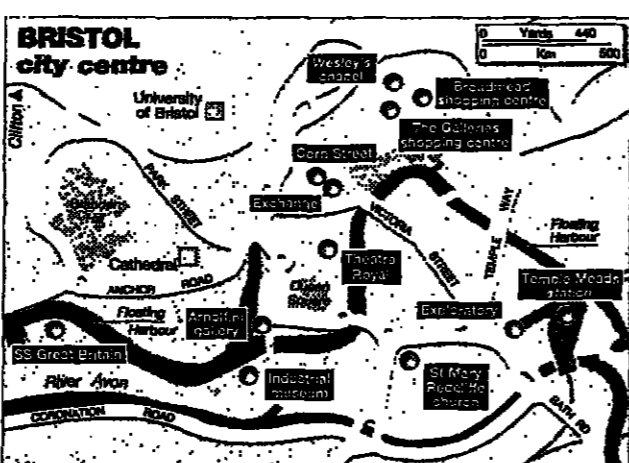
King Sturge reports rents remain below £20 per sq ft but incentives to tenants are disappearing. In fact, there is a severe shortage of large, good quality offices in the centre.

One plan is for Stonecutter Court, where Chesterton seeks an occupier for a proposed 113,000 sq ft building.

Eaglebrook Properties has consent for Marlborough Gate, with 47,000 sq ft. Helical Bar has a speculative scheme at Venturers House, funded by Norwich Union. And Courage has applied for planning consent for 98,000 sq ft of offices on a disused part of its brewery.

One deal just completed is the sale of the 26,000 sq ft Armourers' House for nearly £3.2m to clients of Henderson Property Fund.

While Quay Point is a heavy-weight project, it is rivalled in its ambitions by plans - promoted by the council - for Harbourside, a mixed-use scheme on the waterfront. The site is potentially one of the finest of any British city but has remained largely derelict for many years. At long last, agreement has been reached among the landowners and English Partnerships, the government's regeneration agency, has indicated support.



have been the liberal planning policies of Northavon district council plus access to the M5 and M4 motorways.

For example, the long-established Astec West business park, managed by Arlington, has more than 80 companies. Pearce Developments has started infrastructure work for a second Parkway business park on 40 acres.

At Bristol Business Park, a 38-acre site in north Bristol, contracts were exchanged this month between Bristol & England Properties and Barclays Bank Pension Fund for the funding of its second

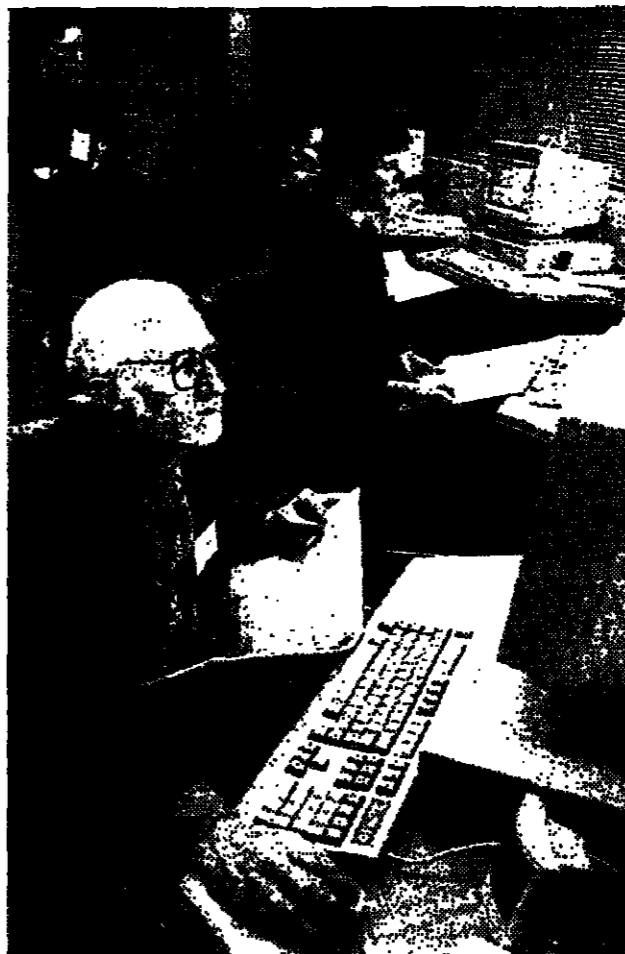
the council as having hitherto taken a regressive attitude towards office development. Car parking was restricted to a ratio of one space per 5,000 sq ft. "This policy has proved commercially unacceptable," it remarks.

Under its draft local plan, the council has revised that to one space per 2,000 sq ft.

Mr Edward Cussen of King Sturge, comments that there is now a positive spirit of co-operation between the public authorities and private sector. "Coupled with this are some outstanding development opportunities and signs that

COMMUNITY ENTERPRISE

Information 'highway' to stimulate regeneration



A group from South Bristol College attend a 'cyberskills' workshop

has already been shown in the US. He emphasises how the SBLN contrasts with the usual "top down" development of information superhighways, with little involvement at community level. "The potential for cultural change is immense," he says. "While the first responses of local people are usually negative, subsequently they become more positive as they see how they can shape the technology for their own ends."

Staff for the SBLN have been recruited locally from among the unemployed, who mostly lacked skills in new technology. More than 50 employees have been trained, more than half of whom had been previously out of work for at least six months. They come from a variety of backgrounds and ages, ranging from 19 to 60. An assessment of the project for Avon Tec reported: "They have set about their tasks with

enthusiasm, drawing on previously untapped energy and expertise."

This month, the SBLN started "cyberskills" workshops at ICL's offices in Bristol to create a city-wide awareness of the potential of multimedia. Mr Malcolm Napier, ICL's business develop-

"Community influencers" will see how to use Internet, e-mail, CD-Rom and video-conferencing

ment manager responsible for the company's lifelong learning strategy, describes the workshops as "giving first-hand experience of what the superhighway means." The workshops are being run by SBLN's staff and undergraduates from the computer science department of Bristol University. They are sponsored by ICL in association with Avon Tec, BT, CompuServe and South Bristol College. Over the next few months, the workshops will demonstrate to 1,000 people, identified as "community influencers", how to use the Internet, e-mail, CD-Rom and video-conferencing.

In job-creation terms, the SBLN will have limited impact on Hartcliffe, at least in the short-term. But it is indicative of a realisation that there is no single or simple solution to the area's problems.

A separate partnership scheme to raise the Hartcliffe skills base and improve the community is the Gatehouse Centre. This £1.5m building, to open next year, is being funded by the government with a £500,000 urban partnership grant, the city council and the private sector, which has so far donated £350,000. Initiated by Hartcliffe & Withywood Ventures, it will include a training centre with a nursery, light industrial units, meeting room, cafe and shops.

Another local community project, to help young people, is Hartcliffe Leisure. This is a company set up in partnership with the Bristol Chamber of Commerce and Initiative to organise a range of after-school activities. One of the grants which helped to establish it came from the Greater Bristol Foundation. A charitable trust set up in 1987, the foundation provides a professional service for donors who want to support local causes but who need advice on identifying potential beneficiaries.

The foundation now has an endowment fund of more than £2m, contributed by a wide range of companies, organisations, charitable trusts and individuals. It has distributed more than 700,000 to more than 300 schemes and groups. The priorities are projects for young and disabled people, the homeless and those disadvantaged by isolation.

Penny Johnstone, the director, says that the outside view of Bristol as a prosperous city does not tally with the evidence of areas of deprivation. But within the city, she says, there have been large strides in the past few years in the willingness of people to collaborate in supporting such projects.

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Source: KPMG Corporate Finance January 1994

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Trevor Smallwood: 'The only way is to develop and improve public transport'

COMPANY PROFILE: BADGERLINE

Set for expansion

The headquarters of what has become Britain's second-largest bus operator might be assumed to be utilitarian offices next to a noisy depot. Instead, it is to be found in a renovated farmhouse six miles from Weston-super-Mare, surrounded by fields and approached across a cattle grid.

Badgerline employs 10,700 people and runs 3,900 vehicles. But at the headquarters - renamed Badger Manor after the company moved there in 1989 - there is only a dozen staff.

From this modest base, Mr Trevor Smallwood, the executive chairman, and his fellow directors saw the company floated on the stock exchange in November last year, raising £35m.

The company was established in 1986 when it was bought out by its management and employees - Mr Smallwood was the managing director - from National Bus Company as part of the

government's privatisation programme. Badgerline then had an annual turnover of £15m and 400 vehicles.

For the half-year to June 30, it reported a turnover of £33.3m and pre-tax profits of £5.4m, up from £2.6m in the same period last year.

The flotation, with the Bristol offices of KPMG Peat Marwick and Burges Salmon, the law firm, as advisers, was intended to provide funds for expansion and acquisitions.

As a result, PMT Group, based in Staffordshire and Cheshire, was bought for £23m and the Yorkshire-based Rider Group for £38m.

The two companies, which have a total fleet of nearly 1,600 vehicles, have already boosted profits.

Mr Chris Carr, marketing director, pronounces the company as "very satisfied" with its decision to float.

In Bristol, Badgerline is known for its City Line subsid-

ary, which has 1,000 staff, a fleet of 353 vehicles, and a turnover of some £33m.

Mr Smallwood says that, since deregulation, the number of buses in the area has risen from 207 to 319 and operating miles have increased greatly. More than half the fleet has been replaced in the past four years.

Overall, Badgerline has bought 370 new vehicles this year.

This summer, it placed orders for 900 vehicles at a cost of almost £60m, believed to be the largest order yet placed by a non-publicly-owned bus company.

Mr Smallwood, whose career began with Yorkshire Traction in 1968, comments:

"There is public recognition that we cannot continue in urban areas to use the car *ad infinitum* - the only way is to develop and improve public transport."

Roland Adburgham

GWR GROUP

Taking stakes in other companies

Few radio listeners in the west of England will not have heard the slogans "Better music mix" and "No rap, less chat," writes Roland Adburgham. Remorselessly, they are repeated on GWR-FM, the commercial radio station. Mr Chris Scott, station director in Bristol, describes them as "positioning statements."

In terms of position, GWR Group, based in Bristol and Swindon, has established itself as the UK's biggest commercial radio company after Capital Radio. Earlier this year, it took over a clutch of Midlands and East Anglian stations and now holds the permitted maximum of 20 radio licences.

While lobbying the government to raise the limit, it has been taking stakes in other radio companies. It holds 17 per cent of Classic FM, the national commercial station, and has shareholdings in various companies from Plymouth to York.

In July, GWR, which is quoted on the unlisted securities market, won Price Waterhouse's award for the West of England business of the year. In the six months to March 31, it had a turnover of £7.6m, an increase of 90 per cent on the same period last year. Pre-tax profits nearly trebled to £930,000.

In the west, GWR-FM, together with its sister AM station Brunel Classic Gold, lifted the combined market share to 30 per cent this summer, based on Radio Joint Audience Research, compared with 20 per cent in the same period last year.

Mr Simon Cooper, area director for GWR South, stresses the group's policy of "listener-responsive radio" for increasing audiences. Output is heavily influenced by telephone interviews, in which listeners are asked to rate songs on a scale ranging from "haven't heard it" or "dislike it" to "I really like the song."

The format of news bulletins is also influenced by listener research. There is strong interest shown in local and UK news, but very little in reports about the royal family. Mr



Stella Fries: the chair of radio station GWR Bristol



Simon Cooper: stresses policy of 'listener-responsive radio'

Simon Cooper, area director, explains that this is because royal stories are mainly visual in appeal.

The group's ambitions now include expansion in eastern Europe. In Poland, it has taken a stake in Inforadio in Warsaw, in partnership with BBC World Service. It has also a 48 per cent holding in Radio FM Plus in Sofia, Bulgaria.

Back in Bristol, at GWR's studios at the Watershed media centre, a "positioning statement" jingle has been recorded for the Sofia station. In Bulgarian, it means "Only hits."

PARRAGON BOOK SERVICES

Aiming for impulse purchases

Avonmouth is not Bloomsbury, and Parragon Book Services, with its premises next to an M5 motorway junction, may not be as familiar a name as Thames & Hudson or Macmillan. But last year, it sold 12m books and this year expects to reach sales of 20m.

PBS was set up only six years ago by Mr Guy Farr and Mr Paul Anderson, both of whom had worked for W.H. Smith.

Their philosophy is simple: to sell books at such low prices that they will be bought as impulse purchases in large quantities at supermarkets, motorway service stations, newsagents and bargain bookshops.

The company now employs more than 30 people. Pre-tax

profits dipped in 1993 to £404,000 but Mr Anderson says: "We have tightened up the running of the business."

He expects profits of more than £1m this year on turnover of about £20m.

The company, which contracts out its printing, supplies books to Asda, Co-operative Retail Society, Presto, Safeway and Tesco supermarkets.

"By doing large print runs, we can get the cost-price down," says Mr Anderson. "We are very much a sales-driven company."

One element of this is computerised stock control - "We had our own software written for us from day one."

This year, it set up a publishing division to produce

its own titles, with 31, the venture capital group, investing £1m to take a 10 per cent equity stake.

Mr Anderson says the company has no immediate intention of seeking a stockmarket flotation, "but we keep open our options for the future."

Its publishing division will specialise in cookery, gardening, art and children's books.

The most recent titles are a series called "Quote Unquote", featuring Marilyn Monroe, Elvis Presley, the Beatles and Laurel and Hardy. And it has published a series called "Life and works" of famous artists, selling at just £1.99 a copy.

Roland Adburgham

COLLEAGUES DIRECT MARKETING

'Still pushing strongly'

One industry which has expanded in Bristol and the west of England is direct mail, as exemplified by Colleagues Direct Marketing, the award-winning private company based in Bath, writes Roland Adburgham.

Mr James Robson, chairman of Colleagues, which he and his wife started in the city in 1987, has grown rapidly to have a likely turnover this year of £40m, a leap of £12m on the previous year.

It is, he says, "still pushing very strongly" and he expects sales to reach £57m next year.

Pre-tax profits of £2m in 1993 are targeted to reach just over £3m this year. "We have made a profit from day one," says Mr Robson, "and it has risen by leaps and bounds."

There are plans, subject to market conditions, to float the company on the stock exchange.

Mr Robson and his co-directors have a controlling interest in the company, but

all 80 employees are shareholders. "The sense of participation in the company is very important."

Charterhouse, the venture capital group, has a 20 per cent stake.

Colleagues specialises in

The unusual name of Colleagues was chosen to reflect the fact that 'a company is a company - not one or two egos' says Mr Robson

high-volume direct mail for clients such as Barclaycard, British Telecom, Reader's Digest, Sun Life, Vernon's Pools and leading charities.

The company offers a service of "recruitment activity" - finding potential customers - and designs and organises mail-shots and analyses the response.

Mr Robson attributes Colleagues' expansion, despite

the recession, to a combination of two factors.

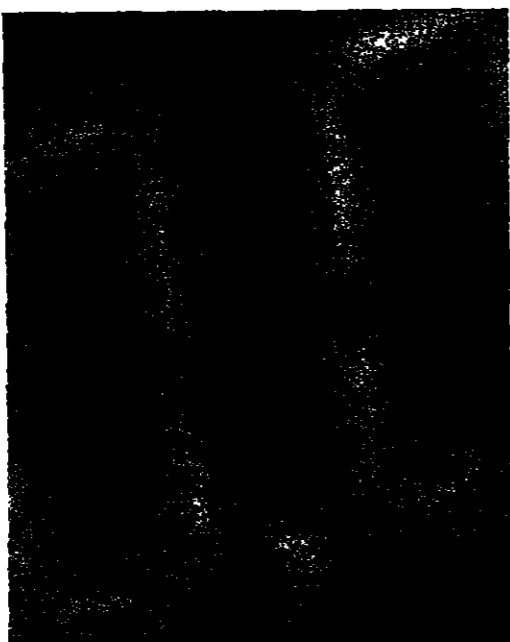
Companies have become less indiscriminate in their advertising and are increasing their use of direct mail to have a more targeted approach, giving better value for money.

Secondly, there are new clients which have never previously used direct mail.

The unusual name of Colleagues was chosen to reflect that "a company is a company - not one or two egos - and we want to work with our clients almost as if we were on their payroll."

"Our clients see us as genuine partners - more as colleagues than as an agency," Mr Robson says that both he and his wife have always felt as if the west country were their natural home.

"Bath has been an excellent choice for us. It has worked very well. The only problem is the great difficulty in finding office accommodation to match our growth - we are now in three buildings."



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IN BRIEF

BK Vision wins UBS injunction

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group which is challenging the management of Union Bank of Switzerland, has won an injunction preventing the bank from converting its registered shares into bearer shares until an appeal against the plan is heard. Page 22

Salvesen to focus on core units

Christian Salvesen, the UK distribution and specialist hire group, is looking to sell its pollution control and brick manufacturing divisions by the end of this financial year, raising about £20m (\$33.6m) to invest in its core businesses. Page 22

Eurotunnel attacks Klesch

A furious row has erupted between Eurotunnel and Klesch & Company, the London-based bank debt trader, over a report issued by Klesch called "Eurotunnel Interim Results - Disaster Ahead". Page 22

BHF Bank's account trading hit

BHF Bank yesterday blamed the collapse in world bond market prices for a sharp slide in profits from trading on its own account in the first 10 months. Page 22

Alko Nobel's hydro-power side for sale

Alko Nobel, the Dutch-Swedish chemicals group, is planning to sell its hydro-power operations to Stockholm Energi, Sweden's third-largest energy producer. Page 22

Mellon Bank takes \$130m charge

Mellon Bank of the US said it would take a \$130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year. Page 24

HNV closer to control of Heron

Mr Steven Green's HNV Acquisition yesterday cleared the first hurdle to gaining control of Heron International. Mr Gerald Ronson's property group, by getting substantial support from ordinary shareholders for his offer. Page 28

Chelsfield forms property venture

Chelsfield, the property company run by Mr Elliott Bernard, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m (\$79m). Page 28

Barr feud continues

The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure group. Page 28

Sidlaw on target with 33% rise

Sidlaw Group, the Scotland-based packaging, oil services and textiles company, yesterday revealed a 33 per cent rise in pre-tax profits, lifted by a full 13-month contribution from the flexible packaging businesses acquired from Courtaulds in late summer 1993. Page 27

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Rhein	328.5 + 0.5	Banque	2850 + 120
Ungers	422.5 + 0.5	Credit Local	410 + 10.5
MAN	422.5 + 0.5	Industrie	300 + 10
Paige	410 - 8	UPL Linde	420 + 14
ULF	430 - 11	Union Leasing	447 + 15
Rothof	430 - 11	Falco	
Lahnstein	441.2 - 10.5	Dep. General S	138.2 - 9.8
Volksbank		Thyssen	
NEW YORK (\$)		TOKYO (¥)	
Rhein	32 + 1/4	Jin Mita & Co	485 + 24
Chrysler	52 + 1/4	Rendition	1580 + 70
Telecom	385 + 1/4	Nippon Sharp	922 + 40
Paige	114 - 1/4	Sankyo	415 + 24
Merck	114 - 1/4	Pharm	
Penny (AC)	155 - 1	Asahi Yama	2120 - 230
SPX Corp	115 - 1	Japan Airlines	501 - 20
USA World Serv	115 - 1		

New York prices at 12.30

LONDON (Pence)		TSE	
Barclays	265 + 8	Tokai-Mitsui	138 + 15
Brighton	219 + 9	Yokohama	194 + 8
Car's Mailing	224 + 12	IndoLog	315 + 5
Car's Mailing	225 + 8	Falco	
Car's Mailing	225 + 8	Courtesy	449 - 11
Car's Mailing	225 + 8	Hedge	115 - 8
Car's Mailing	225 + 8	Merck	85 + 4
Car's Mailing	225 + 8	Merck	172 - 8
Car's Mailing	225 + 8	Merck	79 - 15

Bayer looks for less competitive sectors

Profits rise 32% as German group turns from established research areas to innovative drugs writes Christopher Parkes

Bayer, the German chemicals multinational, is to re-focus its pharmaceutical research away from crowded market sectors and step up spending on the hunt for treatments for allergies, rheumatic ailments and Alzheimer's disease, according to Mr Manfred Schneider, group chairman.

Budgets for established areas of interest such as heart and circulatory disease therapies would be reduced in favour of those offering greater possibilities for discovering and exploiting innovative drugs, he said yesterday.

Reporting a 32 per cent increase in pre-tax profits for the first nine months of the current year, forecasting full-year earnings up from DM2.4bn to DM3.2bn (\$2bn), and hinting of an increased dividend, Mr Schneider said he had no plans for any further acquisitions in the pharmaceutical sector.

However, Bayer was in other takeover negotiations and was planning a major co-operative venture. He expected negotiations to be completed during the first quarter of the new year.

The group has recently spent DM2.1bn in the US on acquiring ChemDesign, a stake in the Schein generic drugs group and the self-medication business of Sterling Winthrop. Mr Walter Wenninger, the director responsible for pharmaceuticals, said the group had six promising new drugs in the final stages of clinical testing.

Although some might not make it to market, they had a combined annual sales potential of up to DM5bn, he said. Among existing products, the antibiotic Ciprofloxacin is expected to turn over more than DM2bn this year. He added that the Adalat high blood-pressure treatment had the potential to reach this level, while Glucobay, already achieving sales of DM600m, would bring in more than DM1bn once approved in the US.

The group as a whole had the potential to increase earnings to more than DM4bn a year within two or three years, Mr Schneider said. This year's result had been achieved with plant running at 85 per cent of capacity compared with 75 per cent last year and 80 to 95 per cent in the peak year of 1989.

Forecasting sales of around DM43bn for the current year, Mr Schneider said he expected foreign markets to grow more than Germany, where sales had risen only 1 per cent in the nine months to the end of September, and now

accounted for less than 20 per cent of group turnover. Sales in north America had so far risen 8 per cent to DM7.6bn while sales in the far east were up 15 per cent at DM4.7bn.

The German market showed distinct signs of improvement in the third quarter, when sales increased 4.6 per cent.

Among sectors, the highest growth rates in the nine-month period were recorded in polymers and industrial products, both up 8 per cent in sales terms thanks to lively demand in the automotive and building industries.

Health care sales rose 5 per cent, although the Agfa business managed only a 1 per cent increase.

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Salvesen to sell units

Industry minister says privatisation should proceed after election

Renault sale likely next year

By John Ridding in Paris

Renault, the French state-owned motor group which was floated on the stock market earlier this month, should be privatised in the second half of next year, Mr José Rossi, the French industry minister, said yesterday.

"Today Renault is quoted on the bourse and has stable shareholders... It should prepare itself for a new step, that of privatisation," Mr Rossi told the Senate, the upper house of the French parliament, while presenting his ministry's budget for 1995.

The remarks by Mr Rossi are the first indication of a timing for the full privatisation of Renault, a subject which is rendered sensitive by the company's status as a former trade union stronghold.

During the company's flotation, in which the government reduced its holding from 80 per cent to just over 50 per cent, Mr Edmond Alphandery, the economy minister, said privatisation was "not the order of the day".

The government has previously refused to comment on the possible timing of a full privatisation. Officials sought to play down differences within the government. They said Renault was on the list of 21 public sector groups scheduled for privatisation by the centre-right government and that its sale was therefore expected. But some expressed reservations about Mr Rossi's remarks, arguing that it was not advisable to predict such an operation so far in advance.

Mr Rossi's comments will, however, reinforce the assumption of most industry observers that the French government will move to

reduce its holding to a minority relatively quickly after next spring's presidential elections. "It always seemed likely that they would go below 50 per cent once the elections are out of the way," said one motor industry analyst at a French merchant bank.

The partial privatisation, which was completed on November 18, drew strong demand from employees and from institutional investors, who subscribed for more than 15 times the number of shares offered.

However, the issue was less enthusiastically received by individual investors, resulting in a subscription rate of 1.4 times the shares on offer. Strong institutional interest has pushed Renault's shares above the FF185 offer price. Yesterday, the shares closed at FF181.

Before a full privatisation, the

French government has said that Renault must conclude partnerships with other industry groups to secure its future as a private company following the collapse of merger plans with Volvo at the end of last year.

Volvo retains just over 11.3 per cent of the shares in its erstwhile merger partner, but Mr Soren Cyll, the chairman of the Swedish motor group, said yesterday it planned to sell its remaining holding when market conditions are favourable.

Mr Rossi also confirmed the government's intention to open the capital of France Telecom, the state telecoms operator. The proposal, which prompted strong resistance from unions last year, is aimed at cementing alliances with international telecoms groups. These include Deutsche Telekom and Sprint of the US.

Salvesen to sell units



Chris Masters, chief executive of Christian Salvesen, the UK distribution and specialist hire firm, hopes to sell two divisions to concentrate on core businesses. Story, Page 22; Details, Page 28

Williams stakes up fire protection

By Peggy Hollinger in London

Williams Holdings signalled a slowdown in its hectic acquisition campaign as it announced plans to purchase the fire protection arm of BBA Group, the UK automotive components company, for £20m (\$31.1m).

The deal brings the total spent on acquisitions by the British diversified industrial group to almost £250m in the past 12 months.

Mr Nigel Rudd, Williams' chairman, expected the pace of acquisitions to slow. "We have got to digest these businesses first," he said.

Williams has bought four other businesses since December, some of which were funded by a £267m rights issue in April.

Angus Fire, which makes hoses, foam and equipment for the fire industry, will propel Williams into the world number-one slot for fire hoses with 21 per cent of the £110m global market. Williams will also rank

second after Monsanto of Italy in the manufacture of foam and foam equipment, with roughly 20 per cent of a market estimated at about £300m. Last year Williams fire protection division returned operating profits of £48m on sales of £249m.

Mr Rudd said there would be considerable industrial synergy and cost savings from merging Angus's operations with Silvan of Italy, the foam fire protection group acquired for £16.5m in October, and the company's Kidde subsidiary. He expected that within two to three years the business would be achieving a return on sales of about 15 per cent, against the 8 per cent.

Williams is expected to incur costs of between £3m and £5m for reorganising Angus.

For BBA, the disposal marks a step towards completing the restructuring launched last year. So far, the group has raised roughly half

of the promised £200m in disposals.

Mr Roberto Quarta, BBA chief executive, said of the Angus sale: "It is a good fit for Williams and a good price for us." BBA expected a profit on disposal this year of about £22m.

Williams accompanied the announcement of the acquisition with a trading statement described by analysts as "rather dull". The company reiterated its comments at the interim stage that it expected to achieve its 1994 expectations. "That's not enough for a stock trading on a 12 per cent premium to the market," said one analyst.

Angus reported operating profits of £7m, on sales of £76.1m for the year to the end of December. Net assets were £27.4m.

Williams will pay £69.5m in cash and assume £10m in debt. The consideration will be subject to a net asset adjustment.

Lex, Page 20

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*Source: Mifpral buying price to selling price in relevant sector with net income reinvested to 14.11.94, 5 year figures from 01.11.89. Schroder UK Equity Fund since 02.01.72 (first date recorded on Mifpral) 1112 and over 5 years 1182. Schroder Tokyo Fund since 02.03.81 1111 and over 5 years 970. Schroder Japanese Smaller Companies Fund since 01.02.84 1126 and over 5 years 1170. Schroder UK Enterprise Fund since 01.08.88 11106 and over 5 years 2118. Schroder US Smaller Companies Fund since 01.03.90 11106. **Source: Investment Intelligence at 01.10.94

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[illegible]

Akzo Nobel's hydro-power operations put up for sale

The specialist hire division saw operating profits fall 4.5 per cent to £14.8m. Distributions now accounts for almost half of Salvesen's £319.3m (£262.3m) turnover, and the division's profits rose 20 per cent to £21.6m, boosted by a £5.7m contribution from Swift.

The company is paying a 3.4p dividend, up from 3.3p. Earnings per share were 10.5p (10.25p).

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INTERNATIONAL COMPANIES AND FINANCE

Ford returns to Samcor with 45% stake

By Mark Suzman in Johannesburg and Kevin Done in London

Ford of the US, the world's second largest vehicle maker, is re-entering the South African market through the purchase of a 45 per cent stake in South African Motor Corporation (Samcor).

Ford divested its equity interest in Samcor in late 1987 as part of a series of withdrawals by US companies from South Africa in response to pressure from anti-apartheid groups.

Samcor assembles Ford vehicles and some Mazda and Mitsubishi models. Ford will hold an equal stake with Anglo-American Industrial Corporation, buying 31 per cent of Samcor's equity from Amic and a further 14 per cent from the Samcor Employees Trust. This

will leave AMIC and Ford both holding 45 per cent with the remaining 10 per cent staying in the hands of the trust.

Mr Jim Miller, director of eastern Europe and export operations for Ford of Europe, is to become Samcor group managing director and chief executive.

The deal, which has been expected for several months, in effect marks a return to the situation that existed prior to Ford's disinvestment from South Africa.

Samcor was formed in 1985 as a joint venture between Ford South Africa, which had been founded by Ford Canada in 1933, and Anglo-American's existing automotive interests.

Mr Wayne Booker, Ford executive vice-president of international automotive operations, said he hoped the US

group's direct involvement would prove to be a spur to improved production and new export initiatives by Samcor.

"When I say Ford will re-establish its presence in South Africa, I mean it," he said. "This is not only an investment. Our action symbolises Ford's commitment to the South African market and the success of Samcor."

Mr Booker declined to disclose the financing of the transaction, saying only that it was a combination of new cash, new equipment and product investment. It was revealed, however, that the Employees Trust had received R50m (\$14.1m) for the 14 per cent of Samcor equity it had sold to Ford.

Samcor is currently in fourth place among South Africa's seven main vehicle makers. It has monthly sales of

around 2,300 vehicles, trailing market leaders Toyota, Volkswagen and Nissan, but ahead of Mercedes-Benz, Delta (which manufactures Opel models) and BMW.

South African producers currently manufacture about 330,000 units a year, of which passenger cars account for just over two-thirds. Almost all production is for the local market.

The industry is under intense pressure, however, as South Africa begins to dismantle its high tariffs on imported motor vehicles, currently about 100 per cent, in line with Gatt requirements. Manufacturers, organised labour and the government are in negotiations to find an acceptable schedule for phasing out most of the industry's protection over the next eight years.

US Pru's stockbroker unit to quit Tokyo SE

By Gerard Baker in Tokyo

Prudential Securities, the stockbroker arm of Prudential Insurance of the US, is to join the lengthening list of foreign securities companies leaving the Tokyo Stock Exchange.

The company announced yesterday that it had notified the TSE of its plans to relinquish its regular membership of the exchange, transferring it to a third party.

The decision reflects Prudential's plan to "substantially downsize" its operations in Japan, including Japanese equity business, as part of a wholesale review of the parent's worldwide operations.

Sale of its TSE membership will enable Prudential to cut operational expenditures and divert funds for other businesses. But it said it planned to continue to trade US securities in Japan, as well as Japanese government bonds.

In the last few years foreign brokers have been leaving Japan as business in the Japanese securities market has dried up. Equity trading volumes reached a peak of more than 100 billion shares a day in 1989 but then fell to less than 300m shares a day last year. After a slight increase in the first half of 1994, volumes have slumped again.

Foreigners flocked to Tokyo in the 1980s as the market was liberalised and equity trading increased exponentially. The total of subsidiaries and representative offices grew from 112 in 1984 to 380 in 1991. But since the slump, many brokers have been leaving the TSE. Prudential's departure takes the total to below 230.

Aoki sells stake in Westin Hotel group for \$561m

By Emilio Terrazono in Tokyo

Aoki, a Japanese construction company, has sold its shareholdings in the Westin Hotel group for \$561m to US real estate investors Starwood Capital Group and a subsidiary of Goldman Sachs.

Aoki sold its shareholdings in two Westin group companies, Westin Hotel and Westin International Europe, which operate 63 hotels in 11 North American and European countries and the Westin trademark rights in South America.

Aoki is another company on the list of Japanese corporations struggling with overseas investments made during the economic "bubble" of the late 1980s. The construction group, together with a group of US investors, bought the Westin hotel chain of 80 hotels in 19 countries in 1988 for \$1.55bn. Immediately after the purchase, Aoki and the investors sold off the Westin Mauna Kea in Hawaii and the Plaza in New York for more than \$700m. Since then the Japanese company has faced mounting interest payments on its debts and last February attempted to sell the hotel chain to a Mexican investor.

The company said it would use the income from the sale to repay the group's outstanding loans of about ¥520m (\$526.5m), which includes funds borrowed for the initial purchase of the hotel group. The proceeds will also be used to cover the ¥200m in loan guarantees by Aoki to its resort subsidiaries.

Westin will own the trademark in North America, South America, Europe, Africa and the Middle East. In Asia, Aoki will maintain ownership of the Westin trademark and enter into partnership with Westin there.

Pearl Tyre offering takes ASX closer to 'Asian board'

By Nikkai Tait in Sydney

Efforts by the Australian Stock Exchange (ASX) to secure enough foreign listings to form a special "Asian board" within its local stock market took another step forward yesterday when Pearl Tyre, a Chinese tyre business, announced plans for a \$445.2m (US\$33.4m) share offering.

Pearl Tyre is a Bermuda-based company formed to hold a 70 per cent interest in Guangzhou Pearl Tyre, GPRT, in turn, is based in Guangdong province and makes tyres for buses and other commercial vehicles. The remaining 30 per cent of GPRT is owned by Guangzhou city, which was formerly the sole ultimate owner of the tyre business.

Pearl Tyre is planning to sell 45.2m shares at \$1 each. This stock will represent 86 per cent of the company's issued capital, and the balance will be held by the government of Guangzhou and professional advisers involved in the transaction. A group of Malaysian businessmen has already agreed to subscribe for some 18.4m shares, and a similar amount has been placed with international institutional investors. This leaves about 10m shares available for the general public.

The money raised will be used to double the company's production capacity by 1997, from about 1m tyres a year at present.

Sales in 1994 are expected to be about \$960m.

The listing, which is expected to take place early in 1995, will mean that about half a dozen "China concept" stocks trade on the ASX, with Pearl Tyre being the largest.

Poor returns for Japan's life groups

By Emilio Terrazono in Tokyo

Japan's leading life insurers saw an increase in premium revenues but suffered low returns on their investments during the first six months to September.

Combined premium revenues at Nippon Life, Dai-ichi Life, Sumitomo Life, Meiji Life, Asahi Life, Mitsui Life, Yasuda Life and Chiyoda Life rose 13.4 per cent to ¥12,076.4bn (\$122.7bn) due to higher premiums from April. But a sluggish domestic bond market and smaller interest and dividend income amid low interest rates hurt returns on investments, and the top eight insurers saw aggregate income from these sources fall 9.7 per cent to ¥2,692.5bn.

Investment returns were less than 4 per cent on average, sharply lower than the companies' prospective dividend payout rates for policyholders. Investment yields have not stopped falling since peaking at 6.8 per cent in 1989, and a further decline may force the companies to cut their dividend payments for the fifth

Interim results to September 1994 (¥bn)					
Insurer	Net premium income	Change on year (%)	Return on investment	Change on year (%)	Non-performing loans
Nippon	2,918.8	+8.0	752.9	-4.0	22.9
Dai-ichi	2,173.1	+12.2	548.0	-7.0	44.8
Sumitomo	1,961.6	+10.3	447.0	-28.1	45.0
Meiji	1,424.4	+14.9	304.9	-10.2	13.7
Asahi	1,108.5	+17.3	284.9	-5.9	19.0
Mitsui	927.1	+18.4	214.2	-0.2	20.1
Yasuda	926.0	+19.2	197.6	-1.7	8.1
Chiyoda	646.5	+31.2	162.8	-3.8	192.5

consecutive year. Officials at the companies said they were still considering the possibility.

While the leading companies have the unrealised gains on stocks to support them, declining investment yields, bad loans and slowing growth in new contracts are affecting the financial soundness of some of the industry's smaller companies. Analysts reckon some of the bigger groups may be forced to support the financially-troubled smaller companies following the industry's liberalisation scheduled in 1996.

Insurance benefit payments for the top eight companies rose 23.1 per cent, with many policies maturing or being cancelled. Meanwhile, the combined balance of non-performing loans fell 3.6 per cent to ¥364.2bn.

The companies have been selling their long-term shareholdings to cover for the declines in investment returns. Profits from stock sales rose at all eight companies except Sumitomo, with combined gains up 4.7 per cent to ¥293.9bn. Profits from stock sales surged by four times at Nippon to ¥22.7bn while Yasuda's gains doubled to ¥26.9bn.

Total unrealised gains from stocks, which have traditionally acted as a buffer against losses on investments, totalled ¥11,068bn at the end of September, up 2.4 per cent from the end of March due to a slight rise in the stock market.

However, the figure is still insufficient to absorb further losses on high-risk investments and asset allocations of the companies are expected

to remain conservative.

During the first half, companies allocated funds to the domestic bond markets and loans, while reducing foreign currency exposure. At Nippon, the industry leader, bond investments at the end of September rose 2.4 points from six months earlier to 15 per cent of total investment assets, while overseas securities investments fell 0.8 points to 6 per cent. Sumitomo's bond investments rose 2.8 points from the end of March to 18.3 per cent of total investment assets while funds in deposits fell 2.4 points to 4.3 per cent.

Coles Myer in property sell-off

By Nikkai Tait

Coles Myer, the large but troubled Australian retailer, said yesterday it had arranged to sell more than \$500m (US\$370.3m) of retail property. The move is part of a plan to rationalise its \$1.5bn property portfolio, offset the current \$4.1bn capital investment programme and prevent it becoming "overweight" in property.

Coles is selling its 50 per cent interest in the WestMyer Trust, which owns shopping centres in Adelaide and Southland, to the Australian Mutual Provident Society, the life office. The deal values the two properties and development costs to date at \$580.8m - or Coles' share at \$290.4m.

In addition, a joint venture is being established with the Industry Superannuation Property Trust, which will take in \$4113.8m of properties from Coles, mainly shopping centre interests. ISPT will have a 75 per cent interest in the venture, and Coles, 25 per cent. The disposal of a variety of smaller property interests makes up the balance of the \$500m.

Coles' gearing has risen significantly recently, as a result of buying back the 21.45 per cent of its shares held by Kmart, the US retailer.

Coles' gearing has risen significantly recently, as a result of buying back the 21.45 per cent of its shares held by Kmart, the US retailer.

Indonesian noodle maker's profits soar

Nine-month earnings at Indofood Sukses Makmur, Indonesia's largest noodle maker, almost trebled compared with a year ago in spite of press reports about food poisoning, denied by the company, during the period, Reuters reports from Jakarta.

Net profits for the nine months advanced to Rp145.61bn (\$66.9m) from Rp50.04bn a year ago, on sales of Rp976.93bn compared with Rp606.65bn.

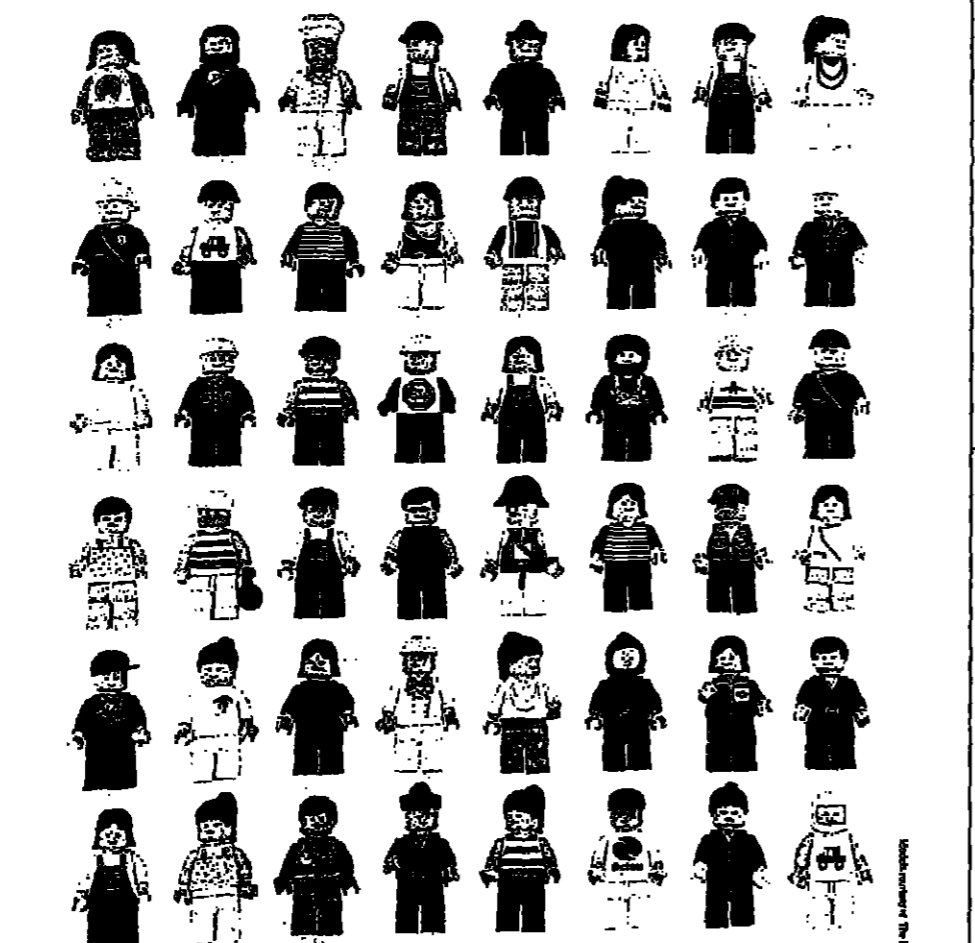
Indofood, part of the Salim

group and 50.1 per cent owned by Indocement Tjungkong Prakarsa, is said to have told analysts that, as a result of the food poisoning reports it had revised its full-year profits down to between Rp200bn and Rp220bn from Rp255.22bn.

Correction

Pioneer

In a recent report of Pioneer's interim results it was incorrectly stated that the company's consolidated sales were down to ¥129bn from ¥130.9bn. This should have read down to ¥245.6bn from ¥255.5bn.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really. Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood dog with a grubby vest and a week-old stubble on his chin. And the real refugees could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me. Except for one thing.

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INTERNATIONAL COMPANIES AND FINANCE

Mellon Bank takes \$130m charge over stock lending

By Richard Waters in New York and Norma Cohen

Mellon Bank of the US said it would take a \$130m after-tax charge to cover investment losses of customers of its stock lending business following the fall in bond prices this year.

The move is the latest sign that some banks, ambitious to develop their global custody and stock lending businesses, have bought unsuitable securities with cash which was deposited by their customers as collateral.

In June, Harris Trust, a subsidiary of Bank of Montreal, said it would absorb \$61.3m of investment losses for stock lending customers, leading to

an after-tax charge of \$33m.

Mellon said the charge announced yesterday sprang from its intended purchase of interest rate swap contracts to change the characteristics of investments under its control. These swaps would be used to tie the investments to short-term floating rates, the bank said.

Mr Frank Cahouet, Mellon's chairman and chief executive, said that the bank had decided that "the interest rate sensitivity of certain client portfolios is not appropriate under current conditions for the unique requirements of the securities lending business".

Mellon did not provide details of its investment strat-

egy, but its plan to use interest rate swaps suggests that it had invested the cash in longer-term bonds, prices of which have fallen steadily this year.

The returns from investing collateral have become an important source of income in the global custody business. Custodians, which hold securities on behalf of institutional investors, lend the securities to brokers and others for short periods, receiving collateral in return. The broker is generally paid a return on the collateral equivalent to overnight interest rates. Any additional investment return is usually kept by the custodian.

Global Custody Survey, Section III

Sheinberg steps down at Goldman Sachs

By Norma Cohen, Investments Correspondent

Mr Eric Sheinberg, the Goldman Sachs partner from whom Mr Robert Maxwell's former employees are seeking restitution of some of their pension assets, has resigned.

From the beginning of the 1995 fiscal year, Mr Sheinberg, Goldman Sachs' longest-tenured general partner, will become a limited partner, the status accorded those who are no longer pursuing full duties.

He will continue to work as a proprietary trader - buying and selling shares for the firm's own account. A spokesman for the firm said Mr Sheinberg had asked to become a limited partner to give himself more time to pursue his personal interests.

Goldman Sachs partners may not withdraw their capital from the firm in full upon retirement, but withdraw it over a period of years instead, usually in the form of interest on the sum they have built up.

Mr Sheinberg became a general partner in 1971 after 10 years with the firm.

An internal memo credits Mr Sheinberg with having pioneered the concept of "24-hour trading" in international securities markets and for introducing US-style block share trading to the European markets.

In April, lawyers for the Mirror Group Newspapers Pension Scheme Trustees and the Maxwell Communications Corporation Works Pension Scheme filed lawsuits in New York each seeking \$57m from Goldman Sachs and Mr Sheinberg personally in connection with the alleged diversion of scheme assets. The lawsuits, which are continuing, also seek unspecified damages.

The writs centre on the purchase of £55m (\$90.20m) of MCC shares from the pension schemes by two Swiss trusts, Servex and Yakosa, which were transacted through Goldman Sachs and for which the schemes were never paid.

Both Goldman Sachs and Mr Sheinberg have said they will vigorously contest the charges.

Moore transforms its approach

New chief executive is spearheading shake-up, writes Bernard Simon

The occupants of Moore Corporation's executive suite atop one of Toronto's tallest office towers would have felt quite out of place little more than a year ago.

The 116-year old company was coasting on its long record as the world's biggest supplier of paper forms used by almost every business.

A balance sheet with virtually no debt and a steady flow of revenues from products as varied as credit-card slips, cash-register receipts and train tickets had lulled Moore into a complacency not uncommon among well-entrenched market leaders.

This month it reported nine-month net profits of US\$32.2m, or 83 cents a share, up from \$9.6m, or 61 cents.

In spite of being one of Canada's biggest companies, with 22,000 employees and annual revenues of \$2.3bn, Moore saw no need for a public relations department. Staff turnover was exceptionally low. The chief executive had been with the company for 34 years and the chief financial officer for 43.

However, the leisurely atmosphere has evaporated since Mr Roto Braun took over as chief executive in September 1993.

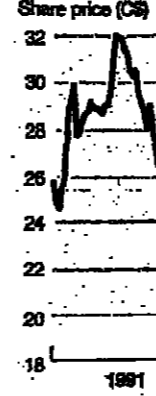
"This year, more things are happening than in the past 20," says Swiss-born Mr Braun, who spearheaded a top-to-toe shake-up at Unisys, the US computer and defence electronics company.

He has hired a new chief financial officer from Northern Telecom, the Canadian telephone equipment maker. The new head of the business systems division is a former McKinsey & Co consultant who also worked for Mital, another Canadian phone equipment supplier.

Recruits from the computer and telecommunications industry give a clue to an even bigger change. While paper will continue to play a role in busi-

Moore Corporation

Share price (C\$)



Source: FT Graphix

ness records and transactions for the foreseeable future, many traditional business forms now comprise words and lines on a computer screen.

The speed and accessibility of electronic data allow companies to use the information on these forms for an increasing number of purposes. Labels, another Moore staple, are being transformed by bar-codes into part of elaborate data management systems.

Companies are also demanding a wider range of services from suppliers. "The customer doesn't just want a product any more," Mr Braun says. "He wants a solution to his problem."

Mr Braun's credo is that if a chief executive needs to inflict pain, it should be done quickly, but fairly. In the 14 months since he took over, Moore has chopped about 2,000 jobs and closed six plants. A \$225m restructuring charge, taken at the end of 1993, drained away 14 per cent of the company's equity.

The long-term aim is to transform Moore from a supplier of business forms into a provider of a much wider range of information-handling products and services.

It will concentrate on three businesses: forms and form management systems; labelling systems, including bar-codes; and customer communications, such as direct mail.

In each case, Mr Braun is targeting only a handful of sectors. For instance, the customer communications division will aim primarily at publishers and retailers. The labelling business will be directed mainly at manufacturers, the transport sector and retailers.

"We have to sell earlier and higher in the sales cycle," Mr Braun says. Instead of dealing with purchasing managers, he wants the company to do more of its business with chief financial officers and marketing executives.

For example, Moore has helped SNCF, the French railway group, design a new reservations system with a magnetic strip ticket. In addition to being a travel voucher, each ticket provides real-time information on a passenger's movements. SNCF uses this data to adjust routes, trains, seats and fares. On the customer communications side, Moore has won a contract from a US hotel chain to produce a colour brochure, with a common theme but a different version for each hotel.

Mr Braun aims to expand revenues by 10 per cent a year for the next five years, with more than half the growth coming from alliances and acquisitions which broaden Moore's horizons.

Such expansion is typified by Moore's recent purchase of a 20 per cent stake in Jetstream Corporation, an Ottawa-based specialist in electronic forms technology.

Earlier this month, Moore formed an alliance with Data-mart of Orlando, Florida, to develop a thermal bar-code printer for linerless labels.

Another sign of the "new" Moore is a \$1bn two-way deal with EDS, the US computer services and management consultancy. EDS is designing, and will later operate, Moore's internal data-processing system. For its part, Moore will manage EDS's own printing and other information handling requirements.

The risk, however, is that some products and services may be ahead of their time. One Moore executive says that "a lot of customers know they want it, but they're not certain how they're going to use it". But people no longer hang such epithets as "stodgy" or "venerable" on Moore these days.

The transformation is set to advance further. Moore plans to raise \$400m to \$500m in debt, lifting its debt-to-equity ratio from an ultra-conservative 6 per cent to about 25 per cent.

It is preparing a public offering of shares in Toppin Moore, the big Japanese firm company which Moore owns jointly with Toppin Printing.

Mr Braun took neither step this month which would have been unthinkable under the old guard. He hired Moore's first vice-president of communications to help get the message across that a leopard can change its spots.

Novo Nordisk adapts its strategy in changing market

By Hilary Barnes in Copenhagen

The shine has been knocked off Novo Nordisk's shares this year. The Danish pharmaceutical and industrial enzymes producer has been hit by a rapid rise in costs, contributing to a 7 per cent slip in nine-month profits to DKK934m (\$153m) from DKK1.1bn, problems meeting demand for insulin in the US, and the resignation of an important member of the management board following a reorganisation of responsibilities.

The share price fell by DKK15 when the interim results were announced earlier this month. They have picked up since, but at DKK54 yesterday the price is a long way from the 12-month high of DKK748.

Mr Mads Ovlisen, chief executive, said: "We are trying to adapt our strategy, our organisation, to the huge changes taking place in the market place. We are also adapting to increased regulatory pressures."

The shortfall in insulin supply to the US, where it competes with Eli Lilly, the world's other leading supplier, was caused by a production stop-

page in Denmark. This was compounded by a delay in bringing a new production plant on stream in the US. The delay, Mr Ovlisen said, was caused by the need to ensure the plant met the US Food and Drug Administration's stringent regulatory guidelines, "a tremendous task".

The supply problem is now over, and he hopes the US plant will go into production early next year.

The market situation in the US is changing because the large pharmaceutical producers are buying up healthcare provider groups in order to gain a captive patient base.

"Buying decisions are made by the healthcare provider organisations. The medical doctor is no longer king," said Mr Ovlisen.

The key to survival for a relatively small company such as Novo Nordisk, with turnover last year of about DKK12.16bn, is to be able to innovate and to supply value-added products which the healthcare providers will continue to need, he said.

With this in mind board of management responsibilities were changed last spring, to make decision-making faster. However, Mr Erik Sorensen, a

long-standing board member, found the changes did not suit him and he resigned this autumn.

The company also wants to concentrate on new products, partly by releasing resources from other areas. This was reflected by its recent decision to sell its bulk penicillin production unit.

The obverse of this disposal is the DKK6bn-plus which has been invested in new plant over three years, with five new international plants in enzymes and pharmaceutical production due to start up in coming months. This, said Mr Kurt Anker Nielsen, finance director, was one of the main reason why costs, up 16 per cent against a sales increase of 12 per cent at nine months, had soared.

Staff for the plants have been recruited, although the plants are not yet contributing to sales. Depreciation costs have also risen.

The group has a stated aim of increasing profits by 15 per cent a year, he said. Viewed over the 1991-94 period, the average increase will be about 13-14 per cent in spite of this year's slip, "so we are not that far off".

Both Goldman Sachs and Mr Sheinberg have said they will vigorously contest the charges.

US investors use foreign voting rights

By Norma Cohen

US institutional shareholders are increasingly exercising their voting rights at non-US companies in which they have a stake, according to a new survey.

Washington-based Investor Responsibility Research Center (IRRC), an organisation which monitors shareholder activity, said US institutional investors now vote at 71 per cent of all foreign companies in which they own a stake, compared with just 24 per cent in 1991.

The survey was conducted among the 40 or 50 institutional investors who have

more than \$50bn under management.

Ms Corinne Arnold, deputy director in charge of Global Shareholder Services at IRRC, said she believed the client base was fairly representative of US institutional investors, although IRRC clients are likely to be more concerned with corporate governance matters than other shareholders.

During the summer, the US Department of Labor confirmed that US ERISA funds - corporate pension schemes covered by US pensions legislation - have the same fiduciary duty to vote on matters

at non-domestic companies, unless the costs of voting are prohibitive, as at US companies in which they have invested.

US public sector pension schemes, among the largest such schemes, are not covered by the ERISA legislation, but have taken their voting responsibilities seriously.

Ms Maryellen Andersen, director of investor and corporate relations at the State of Connecticut Retirement and Trust Funds, said that in 1993, the scheme voted at 1,335 of the 2,300 foreign companies in which it holds a stake.

Ms Andersen said the

scheme has been able to vote in most markets because of the willingness of its custodian banks to help with the paperwork.

"We found the most effective way to ensure voting was to put pressure on the custodian," she said.

Mr Andersen said US pension schemes hold a relatively small stake in foreign markets, but they are making an impact on local boards of directors.

"They want our money. We have made it clear that we are interested in investing but we are also interested in voting. We don't really want to do one without the other," she said.

Santiago seeks regional finance role

Chile has its advantages but obstacles remain, writes Stephen Fidler

Chile boasts Latin America's most advanced capital market. The country's high savings rate, development of its private pension funds and more than a decade of uninterrupted economic growth have combined to bring this about. Nowhere else in Latin America can companies raise 10- or even 20-year

finance. The country's leading financial institutions and its two stock exchanges want to use this head start over their neighbours to develop a financial centre servicing the rest of South America. To promote the idea, they formed a capital markets institute six months ago.

"We have been advocating the idea of transforming Santiago into a financial centre," said Mr Hernan Somerville, the head of Chile's banking association.

But for the likes of Mr Somerville, the government has been moving too slowly on the issue and at least two important obstacles are blocking the idea.

The first is the rule which demands that foreign investments remain in the country for at least a year, inhibiting financial market trading. The second is the country's capital gains tax.

Government officials say lifting the one-year rule would not be difficult. The finance minister, Mr Eduardo Aninat, said this month in London that "at an opportune moment, we could consider amending it by law... but that doesn't mean in the short term". For now, the government is concerned not to encourage inflows of volatile hot money which make managing money supply difficult and raise the

exchange rate to uncompetitive levels. Mr Aninat said, however, that "the capital gains tax is more complex", although the issue was under study. The government is worried that relaxing the tax might lead to a redefinition of a lot of income as capital gains in order to evade tax.

Mr Somerville says banks are being hindered from developing a regional role because they cannot lend money outside the country, except for trade. "We should also be able to lend money outside Chile to Chilean companies," many of which are expanding into other countries in the region, he says.

From the government's point of view, developing the financial services sector would - like increasing manufacturing capacity - be one way of developing an economy which, in spite of its success, is still over-dependent on production of raw materials.

Still, while some financial experts believe Santiago has advantages in certain areas, for example in custodial services, there is widespread scepticism that turning the city into financial centre is a serious project.

Chile may have the expertise, and a deregulated telephone system that allows for relatively cheap communication, but it is geographically remote and the economy small. Sceptics wonder whether there is a critical mass of local business to encourage the establishment of a regional financial centre.

Mr Somerville argues: "Look at Luxembourg", adding that "we offer political sta-

bility, economic stability, a broad consensus over policy - and we have a reputation for integrity."

Mr Pablo Yrarrázavil, chairman of the Santiago Stock Exchange, points out that for an "emerging market" the country already has a highly-developed financial system.

With a gross domestic product of about \$46bn, Chile's stock market capitalisation is \$80bn, banking assets total \$35bn, the assets of pension funds are approaching \$20bn and insurance company assets \$5bn.

Nonetheless, Mr Yrarrázavil acknowledges that he has a problem - currently most Chilean companies prefer to raise share capital in New York and not on his exchange. Chilean financial business is migrating to the US, where investors are willing to pay more than in the Chilean market, partly because of the one-year rule.

But Chilean financiers are not only worried about New York. They are also concerned not so much about the development of finance in São Paulo if the Brazilian anti-inflation plan succeeds, but that Argentina is making big advances in financial sophistication.

Promoting Santiago as a financial centre has, for some of its proponents, a defensive motive and a desire to avoid a drain of Chilean talent and Chilean financial companies to Argentina.

"Chileans love Buenos Aires. Many would like to live there, and if it developed as a financial centre, they would move," said one financier.

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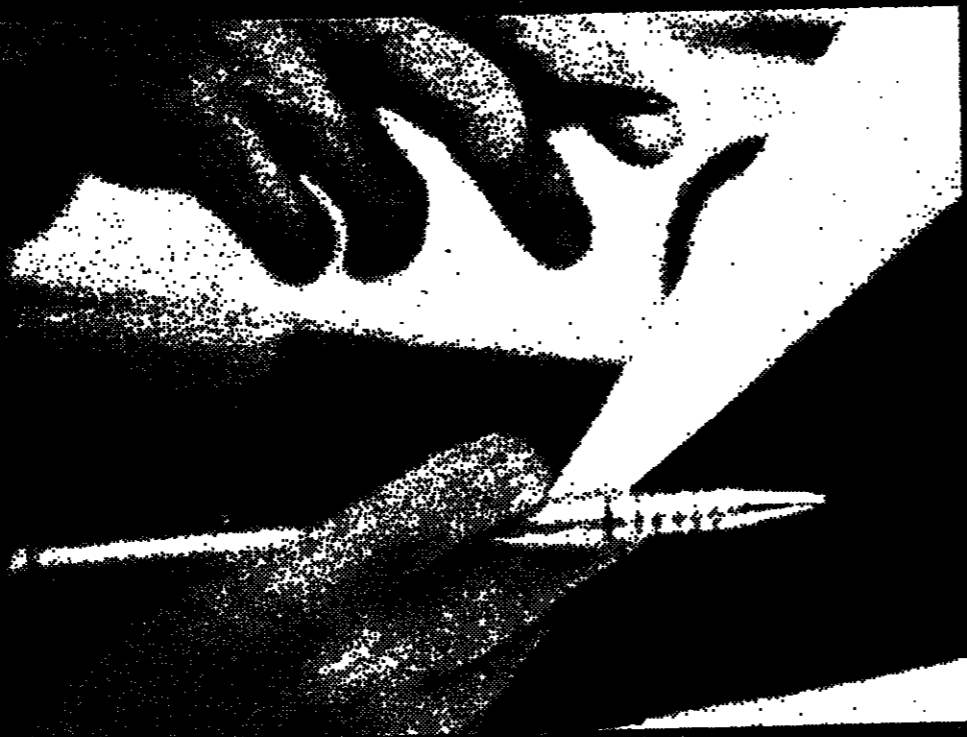
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COMPANY NEWS: UK

Full contribution from former Courtaulds business swells profits Sidlaw on target with 33% rise

By Peter Pearce

Sidlaw Group yesterday revealed a 33 per cent rise in pre-tax profits, boosted by a full 12-month contribution from the flexible packaging businesses acquired from Courtaulds in late summer 1993.

The profits for the year to September 30 were in line with estimates at the time of its £24m rights issue in October.

The Courtaulds acquisition cost £78m, partially financed by a £58m cash call; the recent rights - from which the Scotland-based packaging, oil services and textiles company will have access to about £22m - was to fund a two-year reorganisation and capital expenditure programme for the packaging side.

Group turnover swelled to £289.4m (£172.3m). Operating profits grew 50 per cent to £18.7m (£12.5m), but sharply increased interest charges of £4.18m (£1.54m) led to a more modest pre-tax rise to £14.7m (£11.1m).

Mr Ian Rodie, finance director, said that accounting rules stipulated the inclusion of discounted bills in the balance sheet. This meant gearing



Digby Morrow: shortages in packaging raw materials

climbed to 82 (79) per cent; otherwise it would have fallen to 64 (73) per cent. Pro forma post-rights gearing will be about 30 per cent.

The packaging side made operating profits of £11.1m (£4.72m) on turnover of £161.2m (£54.1m).

Raw material prices for the division continue to rise with basic resin up 70 per cent over the year and polypropylene up 40 per cent. Mr Digby Morrow,

chief executive, said shortages were being experienced but he was unsure if price peaks had yet been reached.

Profits from oil services fell to £6.93m (£7.25m) on turnover of £102.7m (£94.5m) after increased losses of £472,000 (£242,000) from the Supplylink joint venture.

Textiles lifted profits to £713,000 (£584,000), after the recovery of a bad debt previously written off. Turnover

was 25.4m (£24.3m) and the division remains up for sale. Earnings edged ahead to 20.8p (20.5p) per share and the final dividend of 6.5p lifts the total to 11p (10.5p).

COMMENT

While the oil services side is a good business giving steady growth - albeit at the mercy of the oil price - the packaging side is a much riskier proposition with potentially greater rewards. Analysts now believe too much was spent on the Courtaulds businesses and their reorganisation, but that is history and there is no doubt the packaging side had to expand or wither. The capital expenditure will not show benefits for about 18 months and the 10 per cent margin target for the division by 1997 is ambitious. If achieved, however, that would give earnings of about 30p, giving the shares considerable room for improvement. The jury is out on whether Sidlaw can follow its script, but more are optimistic than not. Flat profits of £18m (after an interest fall) are forecast for earnings of about 18p and a p/e of 11, well below the market.

JLI shows 31% growth to £1.73m

By Peter Franklin

Despite the continuing "difficult trading environment", JLI Group, the food processing and snacks company, reported pre-tax profits up by 31 per cent from £1.32m to £1.73m for the six months to end-September.

The advance was achieved on turnover of £54.5m (£52.2m), including £1.6m from acquisitions, with each of the three divisions making a "solid contribution", according to Mr Yoav Gottesman, chairman.

Within food services, which achieved operating profits of £931,000 (£877,000) on turnover of £20.5m (£19.8m), Jack L. Israel had further strengthened its position as a supplier to the catering industry, the chairman said.

The reorganisation in the snacks division had also been successful, he said, with operating profits up from £210,000 to £284,000 on turnover down from £15m to £13.9m.

Kernels Snack Products, the nut processing business acquired in April, had met expectations and was now fully integrated.

The food ingredients side, helped by contributions from Turbun and Frozen Herbs, turned in £87,000 (£69,000) on turnover up £27m to £19.8m.

Earnings emerged at 2.8p (2.1p) and the interim dividend is 1.65p (1.6p). The shares closed down 1p at 92p.

Mr Gottesman said the impact of the three cash acquisitions made in the past 12 months, coupled with the seasonally high stock and debtor levels had increased gearing in the short term.

Analysts are forecasting profits in the region of 25m for the year.

Utd Carriers warns again as too little is now too much

By David Wighton

Events at United Carriers took a surreal turn yesterday as the parcel delivery group issued its second profit warning since going public in February. It blamed the first setback on too few parcels; the second on too many.

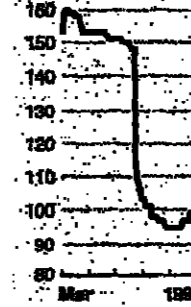
Yesterday's warning was accompanied by a boardroom shake-up which saw Mr Michael Howe resign as group managing director and Mr Allan Binks step down as chairman while remaining chief executive.

Mr Binks said: "We have made a right mess of our return to the stock market and none of us can completely absolve ourselves."

The company warned that profits in the second half would be below the first half's £12m. The shares fell 15p to 79p, half the flotation price of 153p, as analysts cut full

United Carriers

Share price (pence)



Source: FT, Graphite

year forecasts from £3.5m to £2m.

In May, when forecasts were £4.5m, the company warned it had suffered a sharp fall in parcel volumes in April. In response it started an aggressive selling campaign. "In the space of a few days a the end of September volumes shot

up and we were unable to introduce new resources quickly enough," said Mr Binks.

Operating costs rose sharply as the company was forced to hire new vehicles and take on temporary labour to clear the backlog.

Compensation has yet to be agreed for Mr Howe, who has a two year rolling contract on a salary of £95,000. He will continue to manage the parcel business until his unnamed replacement arrives in January.

Mr Binks said his own £140,000 salary would not be cut in line with his reduced responsibilities. The new chairman is Mr Douglas Rogers, chairman of Newspan Tobacco.

The company said it would pay a final dividend of 3.3p "in the absence of unforeseen circumstances". The flotation was sponsored by Lazard Brothers with brokers UBS.

Rodime losses deepen while US courts hold key to future

By James Buxton, Scottish Correspondent

Rodime, the Scottish disk drive pioneer whose business is the licensing of its 3.5 inch disk drive technology, has reported a sharp drop in revenue and a big increase in losses, while its future is heavily dependent on lawsuits awaiting judgment in the US.

Losses before tax deepened from £2.14m to £7.02m (£4.28m) in the year to September 30, because of administrative costs associated with lawsuits. Rodime has increased its

revolving credit with Bank of Scotland to £14m.

The shares were unchanged at 11p yesterday, having peaked at 51 1/2p earlier this year. Operating income amounted to £383,000, against £418m last year.

Running royalty income fell because no new licence agreements were reached, and all existing agreements are with east Asian manufacturers whose business was reduced by intense US competition.

Rodime suffered a setback in April when a Minnesota judge declared invalid certain claims

in its principal disk drive patent in a suit with Quantum, the US disk drive maker.

Rodime now hopes to hear within three to six months the outcome of its appeal, heard earlier this month by the court of appeals in Washington DC.

If the appeal succeeds it will resume its action against Quantum. If Rodime loses, the case against Quantum would fall and the scope of infringement by other disk drive makers, including Seagate, would be materially reduced.

Losses came out at 5 cents (1.9 cents) per share.

Rooney denies Spring Ram stake sale

By Paul Taylor

Mr Bill Rooney, the former chairman of Spring Ram, yesterday denied reports that he was looking for a buyer for his 13.5 per cent stake in the kitchen, bathroom and furniture group.

Mr Rooney, who unveiled a £6.6m deal last week to take control of Atrius, the bathroom goods supplier, said he had no plans to sell the Spring Ram stake. However he acknowledged that he would sell, if offered the right price.

He said he had received several inquiries, "but no serious approaches", following newspaper reports that he was seeking a buyer for his shares. At current prices, his stake in Spring Ram is worth about £26m. The shares were unchanged yesterday at 43p.

Mr Rooney was forced off the Spring Ram board by institutional investors 14 months ago following revelations of false accounting at its Baiterley Bathrooms subsidiary and three profit warnings in eight months. Before this, the group

had enjoyed 13 years of rapid growth.

Spring Ram announced on Friday that it was continuing its recent expansion with the £4.6m cash acquisition of Pland, a maker of stainless steel sinks.

For the year to September 30 Pland reported pre-tax profits of £676,000 (£570,000) on turnover of £10.8m (£10.5m). Net assets at the end of the period were £4.7m.

Mr Roger Regan, who took over as Spring Ram chairman last year, said: "The acquisition is further evidence of

Spring Ram taking opportunities to make strategic bolt-on acquisitions.

In June, Spring Ram acquired a furniture company and in August announced a £5m investment to start a cabinet business. For the six months to July 2 it reported a pre-tax loss of £1.1m (£34.4m) after an exceptional charge of £2.5m for the closure of its Artisan Tile factory.

\$20.8m glass buy for CRH

By John Murray Brown in Dublin

CRH, the building materials group, has expanded its interests in the US through the acquisition of Tempglass Group, a glass fabricator, for \$20.8m (£12.5m) cash.

The acquisition through Oldcastle, CRH's US holding company, will allow CRH to expand its market and product range, making it the largest independent glass fabricator in North America with total sales of \$160m.

It will provide increased purchasing leverage with glass suppliers, and a wider product range for the North American markets, where Old-

castle already has 14 plants in 12 states.

Tempglass operates four plants in Ohio, Texas, Florida and California, producing tempered, insulated and laminated glass, mostly for the non-residential construction sector. Sales in 1993 were \$54m and was expected to break-even in 1994.

Tempglass, originally part of RTZ, was bought out by its management. On the death of the largest partner earlier this year, CRH bid for the shares of the other two partners, who will be retained as managers.

The purchase brings CRH's total global acquisitions in 1994 to \$120m (£118m).

NEWS DIGEST

Hadleigh £324,000 in the red

Pre-tax losses of £324,000 were announced by Hadleigh Industries Group, the USM-quoted storage tank and trailer manufacturer, for the half year to September 30. Last time there were profits of £332,000.

The result included a loss of £490,000 on the disposal of Lynon Commercial Units in September and an operating loss from that company of £235,000.

Turnover improved to £15.7m (£14.7m), with £2m (£2.66m) from discontinued operations.

Losses per share emerged at 3p (3.1p earnings). The interim dividend is doubled to 1p.

contributed turnover of £204,100 and operating profits of £183,700. Net interest receivable was £22,700. Earnings per share were 0.1p.

Edinburgh Income

Edinburgh Income Trust, the split capital investment trust formerly known as EFM Income Trust, reported net asset value per ordinary share of 41.2p at October 31 against 50.7p a year earlier.

The net asset value per zero dividend preference share rose from 49.5p to 51.7p.

Net revenue for the six months fell to £306,000 (£404,000) for earnings of 2p (2.7p). The second quarterly dividend is held at 1p, for 2p so far, and the directors expect to pay an unchanged 4p total.

TR Far East

TR Far East Income Trust raised net asset value per share by 15 per cent from 157.5p to 181.8p in the year ended August 31. Fully diluted figures grew 14 per cent from 143.8p to 169.9p.

The company has applied to have its shares listed on the New Zealand stock market.

After-tax revenue rose to £2.66m (£2.27m) and earnings per share were 5.87p (4.85p). A fourth interim of 1.4p makes a total of 5.5p (5p) and dividends

totalling not less than 5.5p are forecast this year.

Cantab Pharmac

Cantab Pharmaceuticals, the biopharmaceutical company, said it had met a significant milestone in the three months to September 30 with the opening of a pilot manufacturing facility on budget at £1.6m.

In the nine months to end-September pre-tax losses were £271m (£23m) on turnover of £1.11m (£837,000). Losses per share were 27p (35p).

OEM losses

OEM, the property company, incurred pre-tax losses of £232,000 in the year to June 30, compared with profits of £263,000, which included £679,000 from the office equipment business sold last year. Turnover was £744,000, against £2.27m, which included £1.63m from the discontinued activities. Losses per share were 3.8p (1.5p).

Independent Parts

Independent Parts Group, the vehicle components company which came to the market in April, made profits of £1.04m pre-tax for the five months to September 30 on turnover of £7.1m. Earnings per share were 6.42p.

Sweden

In addition to analysing the political and economic situation, the financial markets and the forestry industry, this survey will examine the consequences for Sweden of the vote on membership of the European Union, due to take place on 13 November.

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FT Surveys

Samuel Montagu International Transactions

Nestlé S. A.

Joint venture with
Goplana S.A. (Poland)

Advised by

SAMUEL MONTAGU

January 1994

SWITZERLAND

Odfjell Drilling & Consulting Company A/S

US\$55 million
Disposal of oilfield rental tool
assets to
Weatherford International Inc

Odfjell advised by

SAMUEL MONTAGU

June 1994

NORWAY

EniChem Synthesis SpA

£60 million
Disposal of Rubber and Plastic Additives
businesses to
Great Lakes Chemical
Corporation

Enichem advised by

SAMUEL MONTAGU

April 1994

ITALY

Rizla Group

Management buy-out
Term Loan and
Working Capital Facilities

Co-underwritten by

SAMUEL MONTAGU

May 1994

BELGIUM



SAMUEL MONTAGU

Green's Heron offer clears its first hurdle

By Simon Davies

Mr Steven Green's HNV Acquisition yesterday cleared the first hurdle to gaining control of Heron International, Mr Gerald Ronson's property group, by getting substantial support from ordinary shareholders for his offer.

Acceptances were received in respect of 54 per cent of ordinary shares, while a further 38 per cent are held by Heron's banks, which are understood to have agreed to support the offer.

The Annual Meeting was held yesterday, and all the resolutions were passed by more than 95 per cent of voters, including changes to the company's articles of association, which remove a number of standard shareholder rights.

However, the key to Mr Green's success remains in the support of the senior and junior bondholders, who will meet tomorrow.

Swiss Bank Corporation, which is advising HNV, said that "voting instructions indicate substantial support for these bondholder resolutions".

A sufficient number of votes have been received to ensure that there will be a quorum at the bondholders' meetings.

Heron's investors are being offered a cash value that represents 45 per cent of the nominal value of senior bonds, 6 per cent of the value of junior bonds, and £7.50 per 1,000 ordinary shares.

Parties who looked at Heron when it was auctioned earlier this year, have suggested that HNV was offering a full price for the company.

Mr Gary Klesch, a dissident bondholder, said last week that there was another interested party who might present a package which would offer a lower risk means of participating in the future recovery of Heron.

No buyer has emerged, and Heron is adamant that the only alternative to HNV is liquidation, which would bring in less than Mr Green's cash offer, while involving far longer delays in payment.

The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure group.

The rebels, led by brothers Nicholas and Robert Barr, rejected the deal which had been settled at the end of last week. They also voted down the board's proposals to reform the company's two-tier share structure.

The deal would have paved the way for the brothers to join the board and for their uncle, Mr Malcolm Barr, to resign as chairman.

However, the brothers, who speak for more than 50 per cent of ordinary voting shares, said the board had rejected "compromise proposals".

Mr Nicholas Barr said: "Serious concerns were expressed by management within the company's two main divisions and the company failed to finalise essential elements of Friday's deal."

The board had wanted to enfranchise the non-voting A shares, owned almost entirely by institutional investors, at an extraordinary meeting in Leeds yesterday.

It said that the brothers had made unreasonable demands including the appointment of an additional non-executive director and the payment of their independent adviser bills, thought to amount to £245,000.

The rebel shareholders, who want to demerge the company's two divisions, have requisitioned a further EGM on Thursday to remove Mr Parker and Brian Small, finance director.

The ordinary shares rose 10p yesterday to 543p, while the A shares rose 8p to 286p, before news of the enfranchisement vote was released.

Barr feud continues as deal terms rejected

By Richard Wolfe

The family feud at Barr & Wallace Arnold Trust flared up yesterday as rebel shareholders rejected a last-ditch agreement with the board of the motor and leisure group.

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Chelsfield buys Belgravia property

By Simon London

Chelsfield, the property company run by Mr Elliott Bernard, has formed a joint venture to buy some of central London's most expensive residential property for £48.5m.

The 17 buildings on the Chesham Place Estate, between Eaton Square and Belgrave Square in Belgravia, are being acquired from the executors of the estate of Mr Eric Hopton, who died in 1991.

Chelsfield is taking a 50 per cent interest in a new joint venture with Olayan, the Saudi Arabian investment institution, to buy the portfolio.

The Chesham Place Estate comprises 121,000 sq ft of residential accommodation, including some of the capital's most exclusive addresses, and 85,000 sq ft of offices.

Chelsfield said that the portfolio had been valued for banking purposes at £53.5m.

Most of the houses and apartments are let on long-term leases at rents far lower than could be achieved in the open market.

The estate generates an annual rental income of £1.3m, against an estimated £3m which could be achieved if all the property was let at today's rents.

The majority of the leases expire in September 1995. Chelsfield will then be free to either negotiate new leases with the occupants or to sell the properties.

"The estate has been well looked after but there are some development opportunities for us," commented Mr Bernard, Chelsfield chairman. "We envisage a gradual realisation of the portfolio over a number of years."

Knight Frank and Rutley, the surveyors, estimated that the break-up value of the estate could be as high as £80m.

Mr Bernard added that long leaseholds offered for sale would have rarity value, because Belgravia is dominated by the Georgian and Grosvenor estates, which tend to grant shorter leases.

The joint venture company will fund the acquisition through bank borrowings. Chelsfield will manage the properties for a management fee linked to the investment performance of the portfolio.



Chesham Place Estate: 17 buildings being acquired for £48.5m

Field Group advances to £7.26m at halfway stage

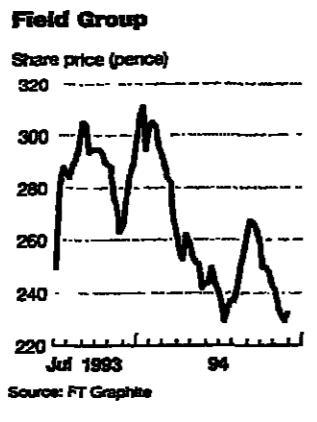
By Geoff Dyer

Field Group, the carton maker which went public in July last year, increased pre-tax profits from £2.04m to £7.26m in the 26 weeks to October 2.

Compared with the previous year, which assumes that flotation took place at the beginning of that period rather than in July, pre-tax profits rose by 7 per cent from £6.79m.

In a tough market environment of rising raw materials costs and fierce competition in the food and household sector, total sales nudged up 3.5 per cent to £77.7m (£75m) and operating profits were up 5 per cent at £7.3m (£5.97m).

Operating margins were slightly higher at 9.4 per cent, against 9.3 per cent the previous year. Mr Keith Gilchrist,



chief executive, said: "We have tried to maintain the margin rather than go for increased volume."

Field, which has a 14 per cent share of the UK market, saw raw materials prices rise

by about 25 per cent. The most difficult sector in which to pass these on to customers was food and household products, where there was tough competition among supermarket retailers.

In the international and branded sector, which constitutes 53 per cent of group sales, Field has recently won two important single supply contracts - a five-year deal with United Distillers, worth some £6m to £7m a year in sales, and another long-term contract with William Grant & Sons Distillers, worth £1.5m a year.

Helped by a lower tax charge of £1.67m (£1.77m) and a reduced interest bill of £48,000 (£176,000), pro forma earnings per share improved by 11 per cent to 9.4p (8.5p). The interim dividend is 2.5p (2.3p). The shares rose 3p to 233p, against a flotation price of 250p.

Normand helps European Motor to advance 48%

By Peter Pearce

European Motor Holdings, the motor retail and services group, lifted pre-tax profits 48 per cent from £2.64m to £3.98m in the six months to September 30. The shares rose 3p to 124p.

In July the group bought Normand Motor Group in a deal worth £11.7m, doubling its size. In two months, the acquisition contributed £1.2m to group operating profits of £3.8m (£2.6m).

Mr Richard Palmer, EMH chief executive, said benefits deriving from the integration of the 30 Normand dealerships - including greater management controls, shrinkage in the

workforce, the introduction of a used car business and facility improvements - would come through within 18 months to two years.

Reorganisation costs of £425,000 and a £106,000 provision for a non-core disposal took a large bite from the £778,000 profit made from the sale of Normand's Mercedes-Benz dealership in Bristol.

Growth in the pre-Normand dealerships was modest at £2.07m (£1.96m), though Mr Palmer said that August was "a little better than last year" and had started with a robust order intake, which fell off slightly.

He said he was confident of

"the market for the types of cars we sell" - premium and prestige cars - would be moving forward and cited the strong January order book as an indicator of the upturn.

Group turnover rose to £126.2m (£81.5m) with Normand pitching in £40.3m.

Operating profits on the motor services side slid to £1.08m (£1.38m), partly as a result of some customers of Wilwood, the automatic car wash subsidiary, deferring purchases into the next financial year.

Earnings grew to 6.8p (4.9p) per share and the interim dividend is raised from 1.75p to 2p.

QMH's debt plan in time for AGM

Queens Moat Houses, the hotels group, plans to publish proposals for its £1.3bn debt restructuring in the next three weeks.

The group said it hoped to announce the principal terms of the restructuring before the annual meeting, now set for December 21. The announcement is likely to come days, rather than weeks, before the AGM because of continuing objections by just one of the more than 70 debt holders.

This is thought to be Trust Company of the West, a US debt trader which bought its stake in the secondary market. Any restructuring deal needs the approval of all lenders.

Meanwhile, a group of rebel QMH shareholders is proposing a rescue rights issue instead of the restructuring plan which is expected to dilute substantially existing stakes. In a letter, Mr Dennis Woodhams of the QMH Shareholders' Action Group, urges fellow investors to consider his draft proposals and projections to be presented at a meeting soon. A rights issue would be "fairer to shareholders" and satisfy bankers, says Mr Woodhams.

Kleinwort in French move to win more privatisation work

By Nicholas Denton

Kleinwort Benson, the UK investment bank, is to team up with its Paris corporate finance department with French executives and shareholders in an effort to win more privatisation work.

Kleinwort will put its existing corporate finance team of five professionals into the venture, capitalised at FF60m (£7.15m), in which it will have a 51 per cent stake.

"We can no longer confine ourselves to the UK," said Mr Michael Martin, head of Kleinwort Benson France. The minority shareholders will be placed with French institutions as is customary for French merchant banks. Four insurance companies have already committed themselves to taking stakes.

Another key element in Kleinwort's effort to present its venture as a domestic French merchant bank is the appointment of Mr Christian Giacomotto, who will chair the board, from Groupe Lagardere, the diversified conglomerate, where he was chairman of Banque Arjel, its investment banking subsidiary.

Kleinwort Benson said it hoped the appointment of a "well-networked" Frenchman would give it a "French patina" and contribute to greater success in winning French privatisation mandates.

In UK privatisations, Kleinwort has established a name as one of the most active houses but France has proved a difficult market and Kleinwort has only acted in subsidiary roles.

Daniel Thwaites ahead at £3.84m

Daniel Thwaites, the brewer, wine merchant and public house and hotels operator, lifted pre-tax profits from £3.17m to £3.84m in the half year to September 30.

Last time there was an exceptional £565,000 loss on the sale of properties and related plant and the result this time was also helped by reduced interest charges of £1.92m (£2.95m).

Turnover improved to £40.5m (£38m). Earnings per share emerged at 12.5p (9.9p) and the interim dividend is raised to 1.3p (1.5p).

The company's shares trade under the £35 (2).

Schroder invests in Limelight

By Andrew Taylor, Construction Correspondent

Schroder Venture Advisers on behalf of institutional investors has paid £35m for a 26.9 per cent stake in Limelight, which intends to seek a listing on the London Stock Exchange.

Limelight, which sells and installs fitted kitchens, bathrooms, bedrooms and conservatories, claims to be the largest privately-owned company in the UK home improvements market.

The investment by Schroder values the company at £130m. Limelight is forecasting after-tax

profits of £12.2m, operating profits of £13m, and sales of £120m for the year to end-December.

Its brand names include Moben and Kitchens Direct (kitchens), Dolphin (bathrooms), Sharps and Limelight (bathrooms), and Portland (conservatories).

The company expects to have more than doubled its number of showrooms from 185 at the end of last year to more than 300 by the end of this year and to about 500 by the end of 1996.

NM Rothschild and Apex Partners have acted as financial advisers to Limelight, which is owned by its management led by Mr Stephen Boler its founder and principal shareholder.

GEC acquires last large Ferranti division

By Paul Taylor

GEC-Marconi is acquiring Ferranti International's civil airport and emergency systems business from the administrative receivers, terms of the agreement, which is subject to contract, were not disclosed.

The deal comes almost a year after the joint receivers, Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen, were appointed and

marks the disposal of the last sizeable chunk of the Ferranti businesses.

Ferranti Information & Response Systems is based in Wythenshawe, Manchester and employs about 150 people. It designs, develops and maintains systems for airport information, baggage reclaim, flight information and displays, flight message switching and emergency services command and control.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Christian Salvesen	3.4	Feb 6	3.3	-	8.1
Edinburgh Income	1.4	Jan 12	1.1	-	2.5
European Motor	2.1	Jan 12	1.725	-	4.25
Field Group	2.5	Jan 20	2.3	-	7.05
Heddelgh Indes	1.1	Jan 13	0.5	-	2
Harris (Philip)	2.2	Jan 28	2.2	-	6.85
Hogg Robinson	1.65	Jan 19	2.7	-	7.1
JLI	1.65	Feb 1	1.6	-	4.9
Joseph (Leopold)	3.4	Jan 3	3.25	-	17.5
Kalamazoo	1	Jan 27	0.85	-	3.3
Marling Indes	0.25	Mar 7	0.2	-	0.77
Merridale	1	Jan 19	0.1	-	2.5
Prospect Indes	0.55	Feb 1	0.525	0.85	0.8
Sidlaw	6.51	Feb 3	6.25	11	10.5
Thwaites (D)	1.3p	Jan 3	1.2	-	4.7
TR Far East	1.4	Jan 3	1.3	-	5.5

Dividends shown pence per share net except where otherwise stated. 10p increased capital. SUSM stock. * Second quarterly making 2p (same) so far. 28/10/94 535 (2) stock.

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities in British Assets Trust PLC (the "Company"). Application has been made to the London Stock Exchange for the 61,440,000 growth shares of 25p each in the Company ("Growth Shares") and the 76,000,000 warrants of the Company ("Warrants") in issue immediately following the Company's proposed capital reorganisation to be admitted to the Official List. It is expected that admission of the Growth Shares and the Warrants will become effective, and that dealings in the Growth Shares and the Warrants will commence, on Friday, 23rd December 1994.

BRITISH ASSETS TRUST PLC

(Incorporated in Scotland under the Companies Acts 1982 to 1980 with registered number 3721)

Proposed
Revision of Investment Objective,
Capital Reorganisation,
Adoption of New Articles of Association
and
Amendment to Memorandum of Association
sponsored by
S.G. Warburg Securities Ltd.

Details of the proposals referred to above are contained in the document dated 28th November 1994 which has been approved by the London Stock Exchange as listing particulars relating to British Assets Trust PLC (the "Listing Particulars"). Copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including Wednesday, 30th November 1994 (for collection only) from the Company Announcements Office, London Stock Exchange Tower, Capel Court, Off Bartholomew Lane, London EC2N 1HP and during normal business hours up to and including Monday, 12th December 1994 from:

British Assets Trust PLC
One Charlotte Square
Edinburgh EH2 4DZ

Ivory & Sims plc
14th Floor
One Angel Court
Throgmorton Street
London EC2R 7JH

28th November 1994

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ASSET MANAGEMENT INVESTMENT COMPANY PLC

(Incorporated in England and Wales under the Companies Acts 1985-1989 Registered Number: 2918390)

PLACING
by
SINGER & FRIEDLANDER LIMITED

of 5,037,000 Ordinary Shares of 25p each at 100p per share payable in full on application together with Warrants to subscribe for shares in the proportion of one Warrant for every five shares

SHARE CAPITAL
Ordinary Shares of 25p

Authorized	Number	Issued and to be issued fully paid	Number
Nominal Value	2,500,000	Nominal Value	1,259,250
	10,000,000		5,037,000

Copies of the Listing Particulars dated 28th November, 1994, which have been approved by the London Stock Exchange as required by the Listing Rules made under Section 147 of the Financial Services Act 1986, are available for collection only during normal business hours up to and including Wednesday, 30th November 1994 from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court, Off Bartholomew Lane, London EC2N 1HP and up to and including 15th December, 1994 from the Company's registered office at 6th Floor, Burne House, 88 High Holborn, London WC1V 6LS and from the following:

Singer & Friedlander
21 New Street
Birmingham
London EC2M 4HR

Brokers to the Placing:
Raven Darlington & Co. Limited
The Colston Centre
Bristol BS1 4QE

28th November, 1994

ESCU Futures plc
29 Old Bailey
London EC1A 3DL
Tel: +44 20 7553 0088
Fax: +44 20 7553 0089
Members: SFA

\$32 ROUND TRIP
EXECUTION ONLY

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities in Investors Capital Trust PLC (the "Company"). Application has been made to the London Stock Exchange for the income annuity restricted voting units (each comprising one growth share of 25p in the Company ("a Growth Share") and one Income Annuity Share) to be admitted to the Official List. It is expected that admission of the Income Annuity Shares and the Units will become effective, and that separate dealings in the Growth Shares resulting from the reclassification of the Units existing ordinary shares of 25p each in the Company, the Income Annuity Shares and the Units will commence, on Friday, 23rd December 1994.

INVESTORS CAPITAL TRUST PLC

(Incorporated in Scotland under the Companies Acts 1982 to 1980 with registered number 2185)

Proposed
Revision of Investment Objective,
Capitalisation Issue
of 247,392,000 Income Annuity Shares,
Adoption of New Articles of Association and
Issue of Warrants to Growth Shareholders
sponsored by
de Zoete & Bevan Limited

Details of the capitalisation issue and other proposals referred to above relating to Investors Capital Trust PLC are contained in the document dated 28th November 1994 which has been approved by the London Stock Exchange as listing particulars relating to the Company (the "Listing Particulars"). Copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including Wednesday, 30th November 1994 (for collection only) from the Company Announcements Office, London Stock Exchange Tower, Capel Court, Off Bartholomew Lane London EC2N 1HP and during normal business hours up to and including Monday, 12th December 1994 from:

Investors Capital Trust PLC
One Charlotte Square
Edinburgh EH2 4DZ

Ivory & Sims plc
14th Floor
One Angel Court
Throgmorton Street
London EC2R 7JH

28th November 1994

Prospect Inds rises 2% in difficult conditions

Meanwhile the financial services division reported a 15 per cent rise in profits to £2.7m (£2.35m), aided by contributions from the acquisitions of Skillbase and Claybrook. Mr Perry said the recent acquisition of Bain Hogg's financial services business from Inchcape positioned the group, "as one of the leading independent financial advisors in the UK".

Gearing fell from 95 per cent to 83 per cent. Mr Rollason said the ratio would be 70 to 75 per cent at the year end. Earnings per share fell to 0.08p (0.29p). The company said that on continuing operations, and before charges, earnings rose to 0.78p (0.36p). The interim dividend is 0.26p (0.3p), payable as a foreign income dividend.

Adjusted earnings per share were 2.01p (1.93p) and the final dividend is 0.56p giving a total for the year of 0.85p (0.8p) – up 6.25 per cent.

Operating income for the six months was \$4.32m and earnings per share came to 14.7p. The interim dividend has been raised to 3.4p (3.25p).

The figures were prepared in accordance with new accounting rules for banks and because of the different reporting basis, no comparatives are available.

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The Jordanian joint venture, in which Burmah's Fosroc subsidiary has a 70 per cent stake, is building a factory in Amman which will also supply the Lebanese, West Bank and Syrian markets. These are expected to

Ocean Group
A syndicated loan arranged by Lloyds and WestLB banks for Ocean Group, the freight and transport company, has been oversubscribed and increased

Martin Currie European Investment Trust had a net asset value of 117.9p per share at end-October against 117.7p a year earlier and 127.8p at the April 30 year-end.

Net revenue for the six months jumped to £228,000 (£99,000) for earnings per share of 0.99p (0.43p).

The trust does not pay *interim dividends*.

The interim dividend is raised to 3.4p.

The figures are in accordance with accounting rules because of the change in basis, not available.

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The company continuing to build before the share price rose to 0.78p. The interim dividend is payable as a cash dividend.


Ocean Group
A syndicated consortium of Lloyds and Ocean Group is to transport coal from the oversubscribed

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Notice is hereby given that the
Notes of Interest under the
Interest Payment Certificate has
been fixed at 6.5625% p.a.
Together with the 1% interest
under the Bond Certificate, the
total interest payable on the
relevant Interest Payment Date
May 30, 1995 in respect of
U.S.\$250,000 nominal of the
two Certificates will be
U.S.\$9,558.16.

November 29, 1994
By: Citibank, N.A. Hong Kong,
Agent Bank

CITIBANK


INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT
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In accordance with the provisions of the Notes, notice is hereby given as follows:

- Interest period: November 27th, 1994 to May 30th, 1995
- Interest Payment Dates: May 30th, 1995
- Interest Rate: 5.7825% per annum
- Coupon amount: US\$294.53 per note of US \$10,000
US\$2,945.28 per note of US \$100,000

Agent Bank

**BANQUE INTERNATIONALE
A LUXEMBOURG**



Deficit forecast steadies London coffee futures

By Richard Mooney

A forecast from Colombia's National Coffee Growers' Federation of a bigger-than-expected supply deficit in the 1995-96 season steadied coffee futures in London yesterday.

The January futures position at the London Commodity Exchange, which last week dipped below \$3,000 for the first time since late June, closed \$25 higher at \$3,013 a tonne after touching \$3,040 earlier in the day.

Dealers said early buying had been encouraged by the Colombian forecast, which suggested that demand would outstrip supply next year by 11m bags (60kg each). Higher green-coffee imports by Germany during August, compared with July, also helped, a trader told the Reuters news agency.

Last week's \$400-plus plunge to \$2,870 a tonne followed news that Brazilian coffee stocks

were higher than most analysts had estimated.

Over the previous two weeks the January price had slipped \$320 after Brazil's issued an official assessment of its frost- and drought-damaged 1995-96 crop that was broadly in line with market estimates. Speculators, confident that no further market shocks were imminent, began selling their long positions; and the resulting lower prices attracted no significant roaster buying.

Farm leaders attack set-aside delay

By Alison Maitland

British farm leaders yesterday attacked the European Parliament for holding up implementation of a cut in the amount of arable land which European Union farmers have to leave uncultivated as "set-aside" next year.

Sir David Naisb, president of the National Farmers' Union, said that the procedural hold-up by the parliament in giving its opinion on the cut was causing farmers "delay and uncertainty".

Mr. William Waldegrave, agriculture minister, agreed that the delay was "irritating" as it was becoming too late for

farmers to make drilling decisions for next year.

The reduction of 3 per cent of the amount of land that arable farmers have to set aside next year was agreed by EU agricultural ministers a month ago. But the parliament must pronounce on the move before it can be implemented by agricultural ministers.

Sir David said there was concern that the parliament might not give its opinion in time for the last agricultural council meeting of the year, in mid-December.

"Farmers and growers are consistently being exhorted to move closer to the market

place," he said. "But that can all too often turn into a nightmare in the business sense if the politicians indulge in verbal sparring of a kind which bears little reality to what is happening in the market place."

Winter wheat crops should mostly have been drilled by now, and many farmers are believed to have gone ahead in planting more land than last year on the assumption that the cut will be implemented.

If they left the decision until late December or January, they would be restricted to planting lower margin varieties of wheat or crops such as barley.

Gengold plans Oryx scale-down

By Mark Suzman in Johannesburg

South African mining producer Gengold has said that it plans to scale down its Oryx underground mining operations at its Oryx gold mine pending further investigation of the reef.

This follows the announcement earlier this year that the mine would probably need R500m (\$150m) in new capital on top of the R2bn already invested if it was to become commercially viable.

According to the company,

preliminary sampling has revealed unusual variability in the grade of the reef. In consequence, the mine will require an additional 2,000 metres of reef development to explore the area further and determine whether there is in fact an exploitable high grade channel within the main ore body. This development is expected to be completed by December 1995.

As a result of the move, the mine's workforce will be scaled down from 3,200 to 1,200 although Gengold plans to offer most of the workers alternative employment on other

mines in the group.

Gencor, Gengold's parent company, has agreed to underwrite the additional exploration cost of R10m (\$2.5m) a month. However, this excludes financing costs and Gengold says it will seek further consultation with Oryx's bankers.

Meanwhile Gengold says that the initial R579m in interest-free loans provided by the mine's major shareholders - Gencor, mining house Anglo-American, investment group Genbel and financial group Sanlam - will be capitalised in the near future.

Australian coal industry faces 'critical year'

David Lascelles reports on efforts to raise productivity and improve labour relations

Mr Bob Humphris, the chairman of the Australian Coal Association, describes this as "a critical year" for the world's largest coal exporter.

The industry, long hampered by poor labour relations and low productivity, is trying to shake off the past and protect its share of the booming Pacific Rim coal market.

In the next few weeks, a joint government-industry-labour council will receive the report of Mr Rae Taylor, a former civil servant who has been studying the impediments to the growth of the Australian coal industry, and particularly to its exports. He is expected to highlight high production costs, poor labour relations and other obstacles such as the government monopoly of the railway system.

The employers and mine owners hope that this report will finally clear the way for the industry after years of labour confrontation. In their submission to the inquiry, they said: "Coal industry management has been trying for years now to break out of these inherited shackles and attitudes, and to transform the industry into one more befitting the competitive environment of the 1990s."

The submission pointed out that Canada and the US had higher productivity rates for thermal coal than Australia, and were raising it at a faster pace. At the same time, new producers are entering the market, notably Indonesia whose most expensive mines are lower cost than Australia's cheapest. In coking coal, Australia has a stronger position,

Australian mineworkers have threatened to disrupt export coal supplies unless companies writing a significant price increase out of the Japanese steel and electricity industry customers in the annual round of price negotiations now getting under way in Tokyo, writes Nikki Tait in Sydney.

The threat could herald a repeat last year's experience when mineworkers walked out for several days in protest at the coking coal contracts and then held a second 48-hour stoppage over steaming coal price agreements. Their action prompted the federal government to agree to an inquiry into the industry, conclusions of which are due to be handed down shortly.

Yesterday, Mr John Maitland, president of the powerful Construction, Forestry, Mining and Energy Union, said that Australian producers "should not think of settling for anything less than [a] US\$10 per tonne [increase]" and that he would not be prepared to guarantee the

but the submission warned: "The North Americans are achieving big gains in productivity, and are in the market looking to expand tonnage substantially."

The labour organisations, not surprisingly, dispute these claims. The mineworkers union blames the Australian industry's high costs on poor management, and its low productivity on the failure of company negotiators to obtain the best prices for coal, particularly from the Japanese. Earlier this year, a dispute on this issue led to walk-outs by miners, and unions are threatening further disruptions in the latest round of price negotiations.

Whatever Mr Taylor has to say, however, important changes are already afoot.

In a major departure, the special labour tribunal which has existed for the coal industry since the last war, is due to be linked to the mainstream

supply of export coal if company representatives could not negotiate a good price.

There have been some rumours that producers would be willing to take a rise of US\$6 a tonne, but Mr Maitland said that this "would represent no real increase at all in Australian dollar terms".

Last year, producers accepted price cuts of about 8 per cent in US dollar terms - with prices of hard coking coals falling by US\$4 a tonne. However, the Australian dollar has gained ground against the US currency over the past 12 months.

Coal is Australia's largest export category, and the price agreements with the Japanese negotiated annually - are used as a price-setter for the industry. The cuts agreed last year in the wake of big financial problems for the Japanese steel mills and threats of underbidding by Canadian producers, represented the fourth successive year in which prices had fallen.

Industrial relations tribunal next July. The old tribunal, from which there was no appeal, was widely seen as an encouragement to mineworkers to consider themselves "special".

Nor is the sense of crisis which the coal owners seem keen to foster reflected closer to the ground.

Mr Maitland says, however, that heavy investment in Dantbrook is only possible because it has a very thick seam (an average 3.5m) capable of being mined with the most modern high-capacity, longwall equipment. "Margins in coal mining are slim, making investment in new mines difficult unless you have super geology. We have that at Dantbrook," says Mr Gordon Summers, Shell's general manager for coal.

The mine is also strategically located on the railway connected to the modern coal loading terminal at Newcastle, about 300km north of Sydney. The government of New South Wales recently agreed to open the line to competition from private hauliers, a move which it estimated would save coal

producers \$1.50 to \$1.90 a tonne.

Shell is considering two further major investments in Queensland, for which the final go-ahead is unlikely to be given until after the Taylor report has come out. One is Morantbah, a coking coal mine with a six-tonnes a year capacity, where an investment of \$370m is foreseen. If work started in early 1995, it would be producing in 1999. The second is Theodore, which would export 4m tonnes of thermal coal.

Ironically, some of the new investment may have been triggered by the uncertainty surrounding the future of the industry. If big changes are indeed on the way, they should create new opportunities for those who can seize them.

Mr Humphris says, "Before we all travelled at the same rate because of the restrictions on the industry. Now, the smarter companies are going to do better."

But there is also a sense that prices are recovering from a three-year slump, which took them down by 20 per cent or more, and that long term demand prospects are good in the region. Large purchasers like Japan and Korea see demand growing, and new customers such as Thailand and India are stirring.

According to Mr Humphris, there is no "Euro-style" swing away from coal in the Far East and Asia.

Were it not for concerns about "greenhouse" gases and the environment, he believes that coal would be "on the verge of most exciting expansion in history".

MARKET REPORT

Nervous selling hits prices at London Metal Exchange

A bout of nervous selling and liquidation hit all London Metal Exchange contracts yesterday afternoon and only COPPER found support before the end of the session.

Three months delivery TIN lost more than \$200 a tonne, while ALUMINIUM was down \$65 and ZINC \$40.

"They lost some of their upward momentum last week

and this was enough to get some investors to lighten their load... it just snow-balled," a trader explained.

Aluminium was hit in a thin lunchtime inter-office market

by US selling, which took the three months price below \$1,800 a tonne, triggering stop-loss selling down to \$1,827.

At the London Commodity Exchange COCOA futures ran

out of steam to close sharply lower as traders selling in New York triggered mixed selling and stop-losses in London, dealers said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal Trading)

■ ALUMINIUM 99.7 PURITY (\$ per tonne)

Close 1833-4 1850-1

Previous 1872-3 1887-8

High/Low 1851/1850 1875-5

AM Official 1851/1850 1875-5

Karb close 1851/1850 1875-5

Open int. 258,110

Total daily turnover 65,884

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1835-10 1850-40

Previous 1840-5 1875-5

High/Low 1835-10 1875-5

AM Official 1835-10 1875-5

Karb close 1835-10 1875-5

Open int. 3,044

Total daily turnover 739

■ LEAD (\$ per tonne)

Close 652-5 670-1

Previous 658-0 684-5

High/Low 652-5 684-5

AM Official 652-5 684-5

Karb close 652-5 684-5

Open int. 44,310

Total daily turnover 12,695

■ NICKEL (\$ per tonne)

Close 7670-75 7695-700

Previous 7680-30 7745-5

High/Low 7670-75 7745-5

AM Official 7670-75 7745-5

Karb close 7670-75 7745-5

Open int. 67,005

Total daily turnover 14,084

■ TIN (\$ per tonne)

Close 6045-55 6130-40

Previous 6125-35 6205-10

High/Low 6045-55 6205-10

AM Official 6045-55 6205-10

Karb close 6045-55 6205-10

Open int. 33,235

Total daily turnover 8,670

■ ZINC, special high grade (\$ per tonne)

Close 1105-10 1127-5

Previous 1142-5 1155-5

High/Low 1105-10 1155-5

AM Official 1105-10 1155-5

Karb close 1105-10 1155-5

Open int. 108,249

Total daily turnover 21,298

■ COPPER, grade A (\$ per tonne)

Close 2850-8 2823-4

Previous 2857-8 2827-5

High/Low 2850-8 2850/2836

AM Official 2850-8 2850/2836

Karb close 2850-8 2850/2836

Open int. 238,095

Total daily turnover 58,371

■ LME AM Official 2% rate: 1.5821

LME Closing 2% rate: 1.5828

Settlement 2% rate: 1.5821

■ HIGH GRADE COPPER (COMEX)

Close 2850-8 2823-4

Previous 2857-8 2827-5

High/Low 2850-8 2850/2836

AM Official 2850-8 2850/2836

Karb close 2850-8 2850/2836

Open int. 238,095

Total daily turnover 58,371

■ LME AM Official 2% rate: 1.5821

LME Closing 2% rate: 1.5828

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■ LME AM Official 2% rate: 1.5821

LME Closing 2% rate: 1.5828

Settlement 2% rate: 1.5821

Precious Metals continued

■ GOLD COMEX (100 Troy oz; \$/troy oz)

Close 329.9 330.0

Previous 329.9 330.0

High/Low 329.9 330.0

AM Official 329.9 330.0

Karb close 329.9 330.0

Open int. 173,124

Total daily turnover 58,817

■ PLATINUM COMEX (50 Troy oz; \$/troy oz)

Close 414.2 415.0

Previous 414.2 415.0

High/Low 414.2 415.0

AM Official 414.2 415.0

Karb close 414.2 415.0

Open int. 25,985

Total daily turnover 1,496

■ PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Close 153.8 154.0

Previous 153.8 154.0

High/Low 153.8 154.0

AM Official 153.8 154.0

Karb close 153.8 154.0

Open int. 157,10

Total daily turnover 157,10

■ SILVER COMEX (100 Troy oz; \$/troy oz)

Close 610.8 611.0

Previous 610.8 611.0

High/Low 610.8 611.0

AM Official 610.8 611.0

Karb close 610.8 611.0

Open int. 151,8

Total daily turnover 151,8

■ CRUDE OIL NYMEX (42,000 US bbl; \$/bbl)

Close 18.11 18.12

Previous 18.11 18.12

High/Low 18.11 18.12

AM Official 18.11 18.12

Karb close 18.11 18.12

Open int. 18,11

Total daily turnover 18,11

■ CRUDE OIL IPE (\$/bbl)

Close 18.11 18.12

Previous 18.11 18.12

High/Low 18.11 18.12

AM Official 18.11 18.12

Karb close 18.11 18.12

Open int. 18,11

Total daily turnover 18,11

■ HEATING OIL NYMEX (42,000 US bbl; \$/bbl)

Close 18.11 18.12

Previous 18.11 18.12

High/Low 18.11 18.12

AM Official 18.11 18.12

Karb close 18.11 18.12

Open int. 18,11

Total daily turnover 18,11

■ GAS OIL IPE (\$/bbl)

Close 18.11 18.12

Previous 18.11 18.12

High/Low 18.11 18.12

AM Official 18.11 18.12

Karb close 18.11 18.12

Open int. 18,11

Total daily turnover 18,11

■ NATURAL GAS NYMEX (10,000 mcf; \$/mcf)

Close 1.87 1.88

Previous 1.87 1.88

High/Low 1.87 1.88

AM Official 1.87 1.88

Karb close 1.

INVESTMENT TRUSTS - Con[illegible]**LEISURE & HOTELS - Cont.**[illegible]**OIL EXPLORATION & PRODUCTION - Cont**[illegible]**PROPERTY - Cont.**[illegible]**RETAILERS, GENERAL - Cont.**[illegible]**TRANSPORT - Cont.**[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

Logan	11	11	11
M/MD	11	11	11
Metel	11	11	11

[illegible]

Hazlet	244	282	234	58.0	3.1
Kunda Kapeang MS	148	183	95	708.3	2.7

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985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TBI	NO	37
Topic Estn	N	100

[illegible]

BT	470	372 $\frac{1}{2}$	-1 $\frac{1}{2}$	488
Cable & Wires	470	378 $\frac{1}{2}$	+1 $\frac{1}{2}$	548
70c Cu Lp TB		2183	+10	2293

		Index	1962	%	1963	%
ACRYLICS						
Acrylic Fiber			100		100	
Acrylic Knit			100		100	
Acrylic Sock			100		100	
Acrylic Turtleneck			100		100	
Acrylic V-neck			100		100	
Acrylic Yoke			100		100	
Acrylic Zipper			100		100	
Acrylic Collar			100		100	
Acrylic Cuff			100		100	
Acrylic Hem			100		100	
Acrylic Pocket			100		100	
Acrylic Placket			100		100	
Acrylic Sleeve			100		100	
Acrylic Turtleneck			100		100	
Acrylic V-neck			100		100	
Acrylic Yoke			100		100	
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SOUTH AFRICAN

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GUIDE & HOTELS

	Mothers	Price	+ or -
Abandon Son	34		
Adopt	482		
Q'way Co PM	144		
Allied Lbs	18		
Alpha Airports	130		
Arctic Lbs	46		
BCE	1059		
SS	273		
Goldman	266	+8	
Roy & MAY A.	233	+1	
Emblems Tugs	230		
Bonney & Hinds	308		
Bank for the World	3		
Bank of Montreal	51		
Bank of Nova Scotia	3		

Uppl: Gen Pl	24	14	14
Mld & Cool	24	14	14
Measurement	24	14	14

7	New London	49	---
8	North Sea Assets	24	---
9	OPEC	148	5
	Debtors	5	---
	Chile Pipe Co	89.4	-4.4
	Pacific Energy	7	---
	Pan Pacific	140	---
	Pan Pacific	88	---
	Pharmaceutical Res	24.1	---
	Prestitem Co	73	---
	Procter & G	225	-5
	Recon Energy	238	---
	Ranger Cos	324.7	+2.8
	Schumacher	52	---
	Scott Paper	52	---
	Sealed Air	32	---
	Southern Pacific	20	---

Sonic	5	14
Stra B Str		
Timothy Robert	2	7

1 Safety record ☐
 2 Air Group ☐
 3 Wings ☐ 3-11
 4
 5 3p Co PT ☐
 6 Washington D.C. Type ☐
 7 Washingtons ☐ 1-11
 8 Wyndham Press 3-11
 9
 10 **PROPERTY**
 11
 12 Notes
 13 Allied London ☐ 2-11
 14 54pc Co Rd PT ☐
 15 Anglo St James ☐
 16 Airport ☐
 17 Arrian Estate ☐

Marks & Spencer ... TW Sep 13

Merriam's	3	AN	
Moss Bros	5	TH	391
Next	1	TH	225
Northampton			101
Oliver Grip	2	TH	51
Orliffes Int'l	4	AM	21
Owen & Robinson	3		21
Partridge Fine	1	TH	
Parker		AM	82
QS Hodge	1		18
Rhino	2	AM	26
Roskays	2		13
Seas	1	TH	100
Sigmat		AM	23
S & G Cr Pl			83
Saxon (NH)		AM	40
Schulze A S			743

4.8	Baroque War	100	100
7.8	British Airways	100	100
2.3	Canal Zone	100	100

3.9	Galaxy Pac (F)	W
5.8	Champion (F)	W
5.3	Dart	2 W
9.4	Bowling Group	2 W
1.4	European Club	
2.5	Minnesota 1982	
0.1	Fisher (J)	N
	Forth Ports	W
8.1	GAXZ	
9.0	GRT Inc	2 W
6.1	Go Ahead	2 W
8.0	Goods Current	2 W
8.0	Idaho Continental	2 W
	John Stearn	2 W
3.1	Jacobs (J)	2 W
2.5	Lon O'Shea Fts	

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Credit Investment Funds - Contd.**Nikko Asia Convertible Bond Fund****CMI Insurance Co Ltd - Contd.**

Sample	System	400	Yield
Time	Time	°C	Grav

Excellence Group - Contd.

Jardine Flossing Unit Trusts Ltd - Contd.

Pequot International Fund Inc			
NAV per \$	3213.59		

Springfield Fund Mgmt (Billerica) Ltd			
Debit Utility Fd Ltd	5103.12		—

[illegible]

AXA Equity & Law Intl Life Assn Co
Victory Hill, Prospect Hill, Douglas, Ill

	Blackwood Cliff Med.	1.366	1.487
	Blackwood Cliff Reg.	1.371	1.474
	Canton Station High.	1.187	1.278
	Canton Station	1.094	1.223

Bancap Regional	8107-14
Cranby Asset Management Ltd	
Dynasty Co Ltd (49% Jd 3)	382-68

	-	IDF Investment & Development Fd	
	-	IDF Global	\$95.73

Orley Asset Management Ltd	
Orley European	DM105.10
Orley European US\$	\$107.02

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FT
FINANCIAL TIMES
Brussels restores
steel plan as aid
for Italy is agreed

ose insert talks to
them directly.

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an insert we will ensure it
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attention of our readers.
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No FT, no comment.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

94	100	106	112	118	124	130	136	142	148	154	160	166	172	178	184	190	196	202	208	214	220	226	232	238	244	250	256	262	268	274	280	286	292	298	304	310	316	322	328	334	340	346	352	358	364	370	376	382	388	394	400	406	412	418	424	430	436	442	448	454	460	466	472	478	484	490	496	502	508	514	520	526	532	538	544	550	556	562	568	574	580	586	592	598	604	610	616	622	628	634	640	646	652	658	664	670	676	682	688	694	700	706	712	718	724	730	736	742	748	754	760	766	772	778	784	790	796	802	808	814	820	826	832	838	844	850	856	862	868	874	880	886	892	898	904	910	916	922	928	934	940	946	952	958	964	970	976	982	988	994	1000
122	128	134	140	146	152	158	164	170	176	182	188	194	200	206	212	218	224	230	236	242	248	254	260	266	272	278	284	290	296	302	308	314	320	326	332	338	344	350	356	362	368	374	380	386	392	398	404	410	416	422	428	434	440	446	452	458	464	470	476	482	488	494	500	506	512	518	524	530	536	542	548	554	560	566	572	578	584	590	596	602	608	614	620	626	632	638	644	650	656	662	668	674	680	686	692	698	704	710	716	722	728	734	740	746	752	758	764	770	776	782	788	794	800	806	812	818	824	830	836	842	848	854	860	866	872	878	884	890	896	902	908	914	920	926	932	938	944	950	956	962	968	974	980	986	992	998	1000				
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FINANCIAL TIMES
ECONOMICS BUSINESS MANAGEMENT

FINANCIAL TIMES
ECONOMICS BUSINESS MANAGEMENT

FINANCIAL TIMES
ECONOMICS BUSINESS MANAGEMENT

NASDAQ NATIONAL MARKET

5 pm close November 28

[illegible]

16 $\frac{1}{4}$	-	-	-	-	-	Hidrogenat	22	1414	30 $\frac{1}{2}$	29 $\frac{1}{2}$	30	TJ				
16	+5g	Handling A	28	732	7 $\frac{1}{4}$	8 $\frac{1}{4}$	6 $\frac{1}{4}$	-	Newport Cp	0.04	21	91	7 $\frac{1}{4}$	6 $\frac{1}{2}$	7 $\frac{1}{4}$	Total
-	-	Machined	0.68	45	100	gal.	gal.	gal.	-	-	-	-	-	-	-	-

503 $11\frac{1}{4}$ $10\frac{1}{2}$ $10\frac{3}{4}$ $+3\frac{1}{2}$

1	12	14	-1/2	TPF Enter	2	284	42	4/4	-1/2
2	14	16		Transit	13	303	11	10/4	-1/2
3	16	18		Transit	12	302	37	3/5	-1/2
4	18	20		Transit	16	313	37	3/5	-1/2
5	17	17	-1/2	Tricare	18	213	23	2	2
6	15	15		Tricare	30	468	139	12/4	-1/2
7	15	18	-1/2	Tricare	30	468	139	12/4	-1/2
8	15	15	-1/2	Transit	11	312	37	3/5	-1/2
9	14	14	-1/2	Transit	11	312	37	3/5	-1/2
10	14	14	-1/2	Transit	11	312	37	3/5	-1/2
11	14	14	-1/2	Transit	11	312	37	3/5	-1/2
12	14	14	-1/2	Transit	11	312	37	3/5	-1/2
13	14	14	-1/2	Transit	11	312	37	3/5	-1/2
14	14	14	-1/2	Transit	11	312	37	3/5	-1/2
15	14	14	-1/2	Transit	11	312	37	3/5	-1/2
16	14	14	-1/2	Transit	11	312	37	3/5	-1/2
17	14	14	-1/2	Transit	11	312	37	3/5	-1/2
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23	14	14	-1/2	Transit	11	312	37	3/5	-1/2
24	14	14	-1/2	Transit	11	312	37	3/5	-1/2
25	14	14	-1/2	Transit	11	312	37	3/5	-1/2
26	14	14	-1/2	Transit	11	312	37	3/5	-1/2
27	14	14	-1/2	Transit	11	312	37	3/5	-1/2
28	14	14	-1/2	Transit	11	312	37	3/5	-1/2
29	14	14	-1/2	Transit	11	312	37	3/5	-1/2
30	14	14	-1/2	Transit	11	312	37	3/5	-1/2
31	14	14	-1/2	Transit	11	312	37	3/5	-1/2
32	14	14	-1/2	Transit	11	312	37	3/5	-1/2
33	14	14	-1/2	Transit	11	312	37	3/5	-1/2
34	14	14	-1/2	Transit	11	312	37	3/5	-1/2
35	14	14	-1/2	Transit	11	312	37	3/5	-1/2
36	14	14	-1/2	Transit	11	312	37	3/5	-1/2
37	14	14	-1/2	Transit	11	312	37	3/5	-1/2
38	14	14	-1/2	Transit	11	312	37	3/5	-1/2
39	14	14	-1/2	Transit	11	312	37	3/5	-1/2
40	14	14	-1/2	Transit	11	312	37	3/5	-1/2
41	14	14	-1/2	Transit	11	312	37	3/5	-1/2
42	14	14	-1/2	Transit	11	312	37	3/5	-1/2
43	14	14	-1/2	Transit	11	312	37	3/5	-1/2
44	14	14	-1/2	Transit	11	312	37	3/5	-1/2
45	14	14	-1/2	Transit	11	312	37	3/5	-1/2
46	14	14	-1/2	Transit	11	312	37	3/5	-1/2
47	14	14	-1/2	Transit	11	312	37	3/5	-1/2
48	14	14	-1/2	Transit	11	312	37	3/5	-1/2
49	14	14	-1/2	Transit	11	312	37	3/5	-1/2
50	14	14	-1/2	Transit	11	312	37	3/5	-1/2
51	14	14	-1/2	Transit	11	312	37	3/5	-1/2
52	14	14	-1/2	Transit	11	312	37	3/5	-1/2
53	14	14	-1/2	Transit	11	312	37	3/5	-1/2
54	14	14	-1/2	Transit	11	312	37	3/5	-1/2
55	14	14	-1/2	Transit	11	312	37	3/5	-1/2
56	14	14	-1/2	Transit	11	312	37	3/5	-1/2
57	14	14	-1/2	Transit	11	312	37	3/5	-1/2
58	14	14	-1/2	Transit	11	312	37	3/5	-1/2
59	14	14	-1/2	Transit	11	312	37	3/5	-1/2
60	14	14	-1/2	Transit	11	312	37	3/5	-1/2
61	14	14	-1/2	Transit	11	312	37	3/5	-1/2
62	14	14	-1/2	Transit	11	312	37	3/5	-1/2
63	14	14	-1/2	Transit	11	312	37	3/5	-1/2
64	14	14	-1/2	Transit	11	312	37	3/5	-1/2
65	14	14	-1/2	Transit	11	312	37	3/5	-1/2
66	14	14	-1/2	Transit	11	312	37	3/5	-1/2
67	14	14	-1/2	Transit	11	312	37	3/5	-1/2
68	14	14	-1/2	Transit	11	312	37	3/5	-1/2
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70	14	14	-1/2	Transit	11	312	37	3/5	-1/2
71	14	14	-1/2	Transit	11	312	37	3/5	-1/2
72	14	14	-1/2	Transit	11	312	37	3/5	-1/2
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74	14	14	-1/2	Transit	11	312	37	3/5	-1/2
75	14	14	-1/2	Transit	11	312	37	3/5	-1/2
76	14	14	-1/2	Transit	11	312	37	3/5	-1/2
77	14	14	-1/2	Transit	11	312	37	3/5	-1/2
78	14	14	-1/2	Transit	11	312	37	3/5	-1/2
79	14	14	-1/2	Transit	11	312	37	3/5	-1/2
80	14	14	-1/2	Transit	11	312	37	3/5	-1/2
81	14	14	-1/2	Transit	11	312	37	3/5	-1/2
82	14	14	-1/2	Transit	11	312	37	3/5	-1/2
83	14	14	-1/2	Transit	11	312	37	3/5	-1/2
84	14	14	-1/2	Transit	11	312	37	3/5	-1/2
85	14	14	-1/2	Transit	11	312	37	3/5	-1/2
86	14	14	-1/2	Transit	11	312	37	3/5	-1/2
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95	14	14	-1/2	Transit	11	312	37	3/5	-1/2
96	14	14	-1/2	Transit	11	312	37	3/5	-1/2
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98	14	14	-1/2	Transit	11	312	37	3/5	-1/2
99	14	14	-1/2	Transit	11	312	37	3/5	-1/2
100	14	14	-1/2	Transit	11	312	37	3/5	-1/2

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US Military	0.81	12	2552	45/4	45	45/2	-1/2
US Coast Guard	1.02	12	2552	45/4	45	45/2	-1/2
US Marine	2.00	13	330	63/4	60	63	-1/2
US Navy	6.60	11	330	63/4	60	63	-1/2
US Air Force	0.08	17	302	17/5	17/5	17/5	-1/2
United States	1.00	20	28	44/4	43/4	44/4	-1/2
US Army	1.00	20	28	44/4	43/4	44/4	-1/2
US Bureau of Land Management	1.00	15	2540	23/4	22/4	23/4	-1/2
US Bureau of Reclamation	1.00	15	2540	23/4	22/4	23/4	-1/2
US Forest Service	1.12	25	250	10/4	10	10/4	-1/2
US Fish and Wildlife Service	1.12	25	250	10/4	10	10/4	-1/2
US Health and Human Services	1.12	25	250	10/4	10	10/4	-1/2
US Housing and Urban Development	1.12	25	250	10/4	10	10/4	-1/2
US Interior	1.12	25	250	10/4	10	10/4	-1/2
US Justice	1.12	25	250	10/4	10	10/4	-1/2
US Labor	1.12	25	250	10/4	10	10/4	-1/2
US State	1.12	25	250	10/4	10	10/4	-1/2
US Supreme Court	1.12	25	250	10/4	10	10/4	-1/2
US Treasury	1.12	25	250	10/4	10	10/4	-1/2
US War Department	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
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US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
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US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
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US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
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US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority	1.12	25	250	10/4	10	10/4	-1/2
US War Relocation Authority							

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1. **Introduction**

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